

**PRESS RELEASE** Paris and Toronto, 20<sup>th</sup> September 2011

## **EBA CLEARING to provide banks with more flexibility and control in managing credit risk in EURO1**

### **New set of deliverables of EURO1 reform program is geared at further enhancing credit risk management and reducing potential counterparty exposures**

The EBA CLEARING Company presented today the new measures that will be implemented on its EURO1 platform. The new measures will enable banks to more flexibly determine the extent of their counterparty exposures in the EURO1 system and to adjust these exposures more quickly. The implementation of these new measures is expected to take place on 24<sup>th</sup> October 2011.

In detail, the Company will move the deadline for changing discretionary bilateral limits in EURO1 from 18:00 CET on D-1 to 07:00 CET on D. This will put banks in a position to promptly react to deteriorating events that occur overnight, over a weekend or over a bank holiday.

Additionally, the minimum amount for bilateral credit limits in the system will be considerably reduced. Today, banks have to extend a mandatory loss sharing limit of EUR 5 million to each other EURO1 participant. This minimum will be reduced to EUR 2 million. This will allow EURO1 participants to decrease their credit exposure to other participants and significantly mitigate the risk of loss.

At the same time, the maximum bilateral credit limits will be raised from EUR 25 to 50 million, which will enable banks to increase the discretionary limits granted to other participants in the system.

The new credit risk management tools are part of a wider EURO1 review and reform program that EBA CLEARING launched in early 2011: "The EURO1 review and reform program is aimed at ensuring that the platform maintains its leading position as a liquidity-saving large-value payment system owned and operated by the private sector," said Alan Taylor, Director, EURO1/STEP1 Services. "The reform programme will continue to address areas where the EURO1 platform could be enhanced to satisfy the evolving needs of our users and to support them in successfully overcoming newly emerging challenges."

As part of the reform program, a first set of deliverables geared at optimising the liquidity efficiency in EURO1 was implemented in the system in the first half of 2011. The introduction of two additional liquidity distribution windows in EURO1 has allowed banks to further improve their liquidity recycling capacity. At the same time, the distribution algorithm was changed to ensure that an even higher percentage of the pre-funded amounts are distributed to participants intraday.

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In co-operation with the EURO1 community, EBA CLEARING will continue its EURO1 reform and review program throughout 2012 and beyond. Future deliverables will include the migration of the system to ISO 20022 message standards.

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