

CSDs: DTC (USA)

Date: 11 Feb 2009

SMI Markets: USA

CMIRR Markets: USA

NASDAQ OMX to Introduce a New CCP in the US

NASDAQ OMX has announced its intention to implement a new clearing facility, NASDAQ Clearing Corporation (NCC) which would act as a central counterparty (CCP) for the US market. This is following the acquisition of the Boston Stock Exchange (BSE) in August 2008 and therefore its clearing corporation BSE Clearing Corporation which NASDAQ OMX is to rename NCC.

Currently, the National Securities Clearing Corporation (NSCC), subsidiary of the Depository Trust and Clearing Corporation (DTCC), acts as the CCP for around 98% of the on-exchange equity trades, therefore NCC will offer a second CCP option to the US market by guaranteeing the settlement and clearance of the trades on a continuous net settlement basis. It is also planned that any equity trades done on any US stock exchange will be eligible for clearance at NCC and that participants will have the choice between NCC and NSCC.

As a new CCP, NCC is expected to compete NSCC on different areas such as the clearing costs or the processing efficiency.

NCC is expected to go live by the end of the year 2009 provided the final draft rules are approved by the Securities and Exchange Commission (SEC).

CSD Risk Impact

DTC (USA)

CSD Rating: AA-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA+

Flash Impact = Negative

Impacted Risk Type: Counterparty Risk

Current Rating = AA+

Flash Impact = On Watch

Impacted Risk Type: Financial Risk

Current Rating = AAA

Flash Impact = Negative

The introduction of NCC will open competition for equities clearing and CCP services in the US market, which are currently only provided by NSCC. Having Multiple CCPs splits liquidity, will probably require higher levels of collateralisation (unless you can offset between CCPs) and reduces netting efficiency with a negative effect on liquidity.

It could potentially be beneficial for the market as the clearing costs could be lowered and more efficient services could be offered. However, participants will require multiple memberships, systems and communication links, adding cost and reducing operational efficiency.

At this stage, no detailed information is available on the costs and services of NCC and it is not known whether trading members will be attracted by the new CCP. The impact on counterparty risk is 'On Watch' accordingly.

Furthermore, the introduction of NCC could have an impact on DTCC's revenues given the additional competition from NCC, therefore financial risk has been set as Negative.

Market Information Impact

USA

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

USA

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Negative

Impacted Risk Type: Counterparty Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Financial Risk

Current Rating = AAA

Flash Impact = Negative

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