



VII. GENERAL ASSEMBLY OF ACSDA

INDUSTRY UPDATE - THOMAS MURRAY

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*Hyatt Regency Hotel, Santiago, Chile
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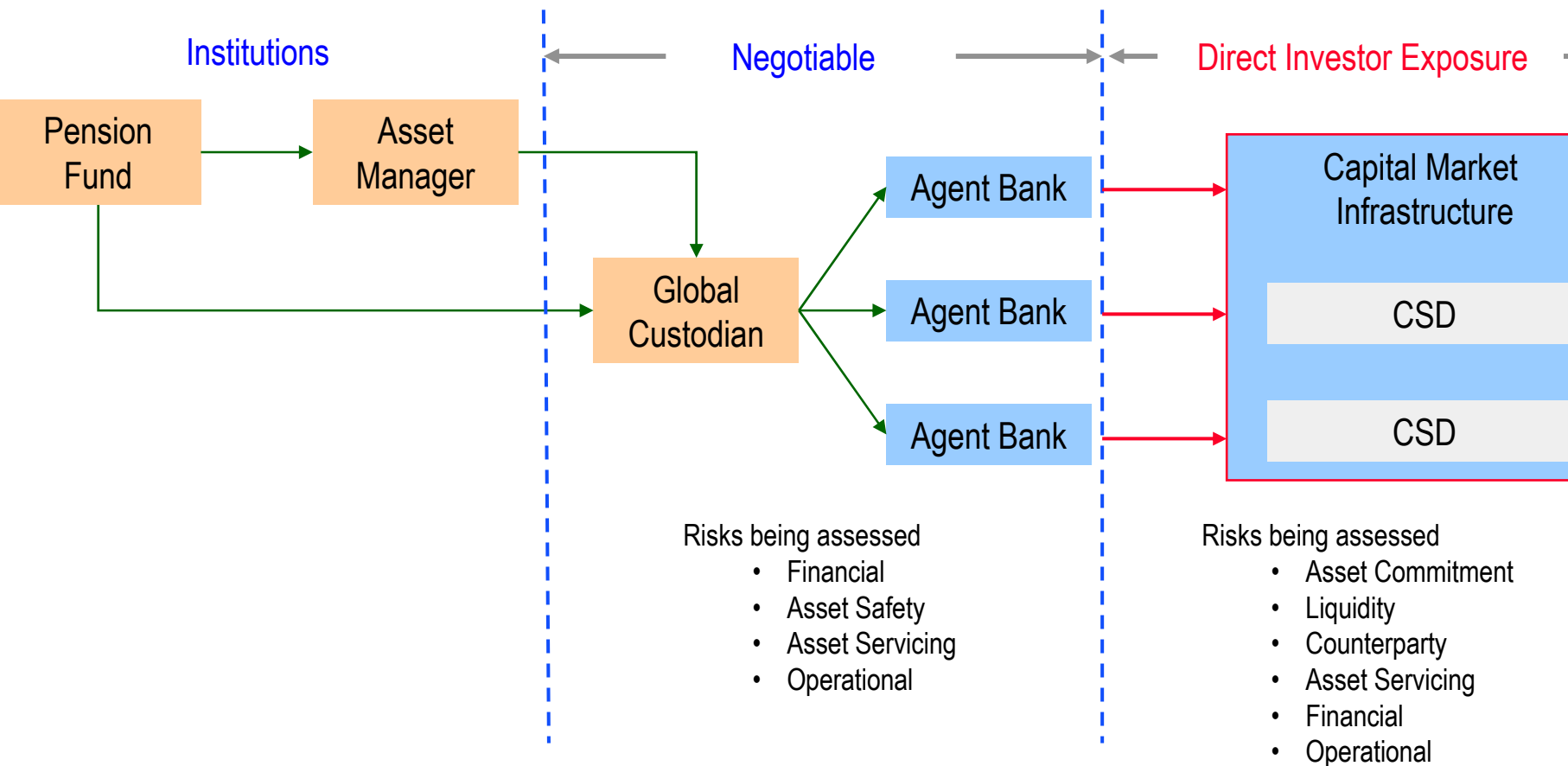
- Scope, use and distribution of Thomas Murray's Ratings/ Assessments
- Why are the Risk Ratings/ Assessments needed?
- CSD overall risk exposures worldwide
- Capital Market Infrastructure Risk Ratings worldwide
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- Summary



RATINGS/ ASSESSMENTS	GLOBAL CUSTODIAN RATINGS	AGENT BANK RATINGS	CAPITAL MARKET INFRASTRUCTURE RISK RATINGS	CSD RISK ASSESSMENTS	SECURITIES MARKET INFORMATION
Related Entities	18 major Custodian Banks	150 Agent Banks	89 Markets	140 CSDs	105 Markets
Users	Institutions incl: Pension Funds Insurance Co's Asset Managers	Global Custodians	Custodians Central Banks CSDs Exchanges Institutions	Institutions Brokers Banks CSDs	Custodian Banks
Distribution	Electronic and Paper	Electronic and Paper	Electronic	Electronic	Electronic



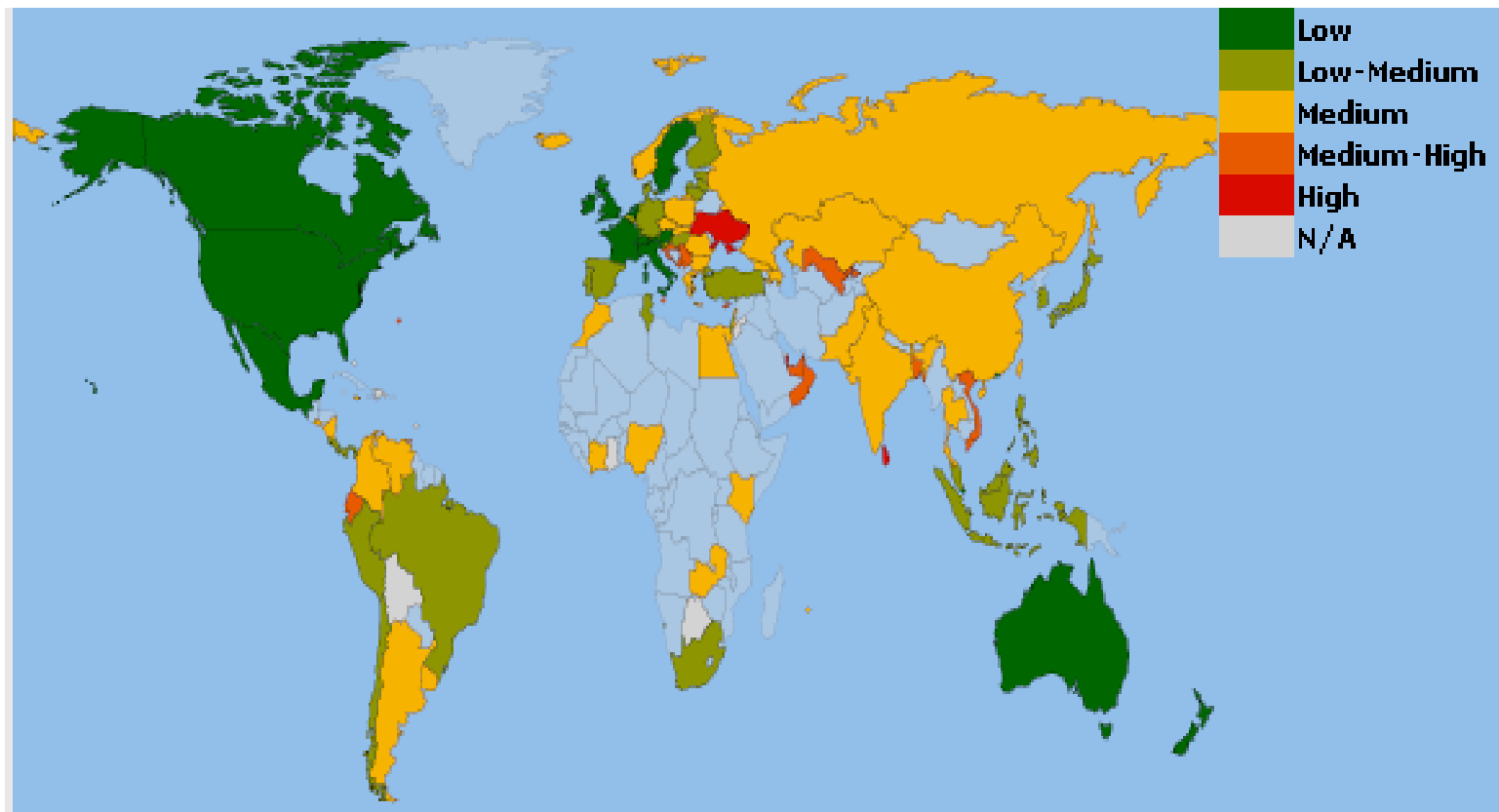
Core Risk Exposures Assessed by Thomas Murray



U.S. and other regulators have forced the above risks to remain with institutional investors/ asset owners (e.g. SEC 17(f)-7), thus necessitating the analysis of these risks.



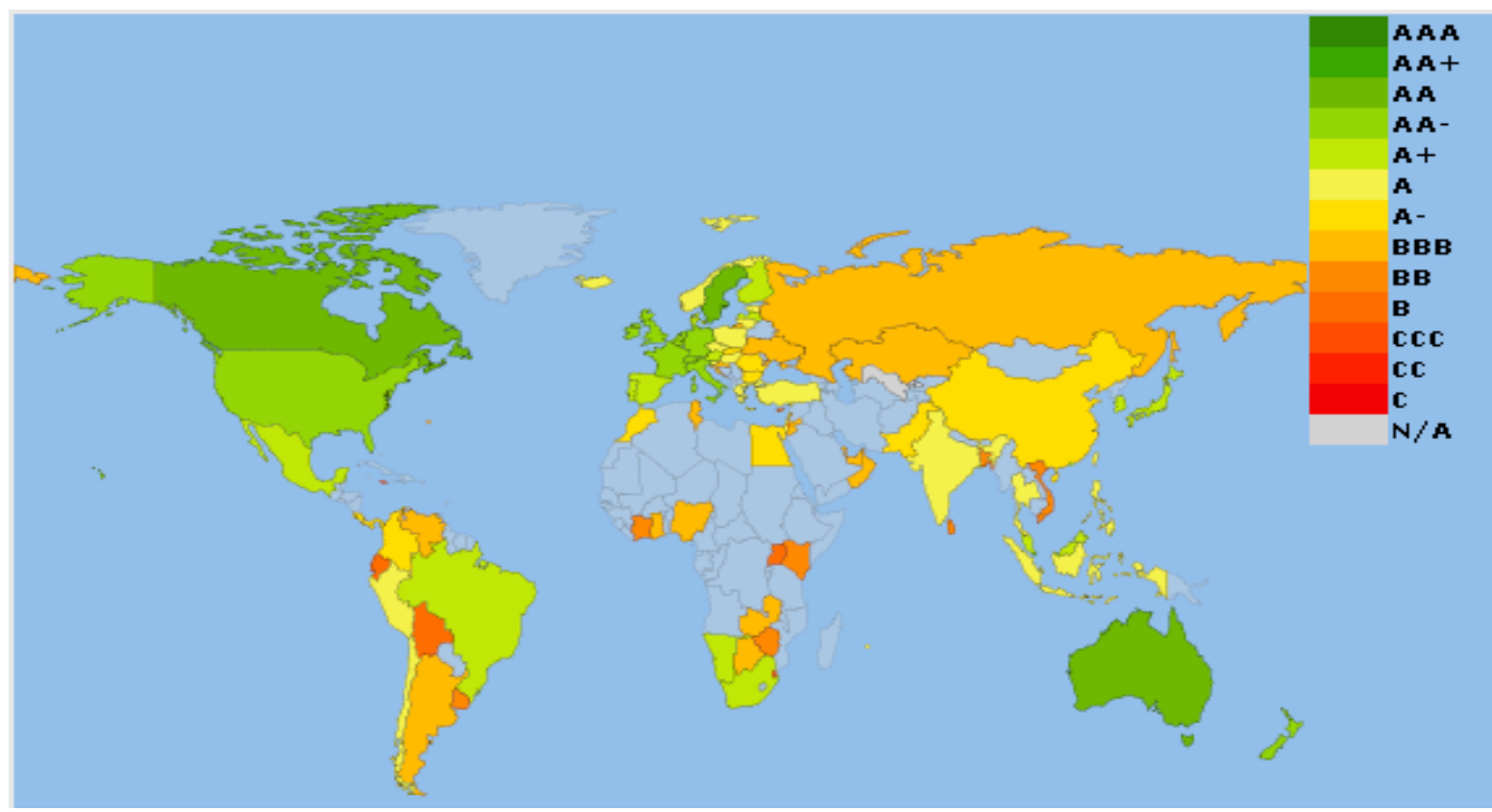
Overall CSD Risk Assessments Worldwide



NB. Highlighted by 'Lowest' rated CSD, where 2 or more CSDs operate in the market.



Overall Capital Market Infrastructure Risks Ratings Globally



NB. Individual risks are not shown (i.e. REAs)

Refer to: www.thomasmurray.com



Comments/ Issues

○ Risk Assessments

Well established
 Independent risk analysis
 Comparative risk levels
 Data sharing encouraged
 Validated data essential
 Interactive process with CSDs/
 banks
 Intraday surveillance (3x per day)
 Excellent support from CSDs
 Electronic data collection,
 management and distribution
 Editor access available

Capital Market Infrastructure Risk Ratings*

- Combines CSD analysis with post-execution, pre-settlement physical elements, plus sovereign adjustments as a proxy for payments systems
- Absolute ratings scale
- Utilises standard rating symbology
- Intraday surveillance (3x per day)
- Tool for capital market infrastructure risk exposure management (e.g. CALPERS)

* Please refer to methodology paper



SDs: Direct access and ability to edit CSD data and CSD assessments.

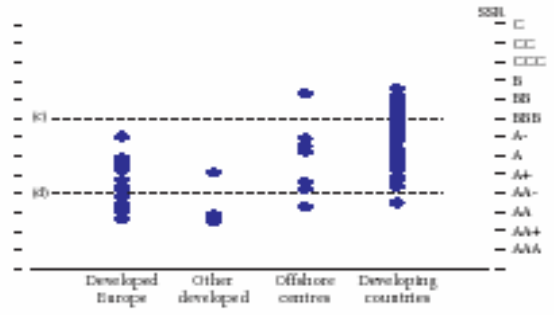
Others: Over 300 other independent data sources including exchanges.

Major banking clients include: ABN AMRO, Pictet, BNP Paribas, HSBC, State Street, Barclays, SEB, Bank of New York, Citibank, RBC, ING which together administer around USD 35 trillion worth of custody assets for institutional clients.

Selected Contracted Support Banks: Over 35 separate banking entities, supporting 105 markets (average 2.6 banks per market). This is expanding all the time.



Chart 2
SSS ratings by region^{(a)(b)}



Sources: Thomas Murray and Bank calculations.
 (a) Data are for 2004 Q2.
 (b) Country groups are those defined by the BIS.
 (c) Lowest acceptable rating (BBB).
 (d) Lowest rating with 'very good' risk mitigants (AA-).



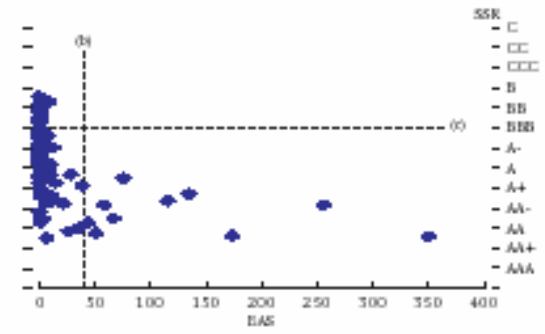
The settlement system rating is defined as:

$$SSR_i = \frac{\sum_{j=1}^n (r_j \times w_j)}{\sum_{j=1}^n w_j}$$

where r_j and w_j are the REAs and their weights, respectively, j denotes each of the settlement shocks and i is the country being assessed.



Chart 3
Exposures to and ratings of SSSs^(a)



Sources: IMF, ONS, Thomas Murray and Bank calculations.
 (a) Data are for the end of 2004 Q2. Chart excludes United Kingdom to aid presentation. The United Kingdom has an EAS of 187 and an SSR of AA.
 (b) Mean EAS (calculation includes United Kingdom).
 (c) Lowest acceptable rating (BBB).

Bank of England has incorporated Thomas Murray's Capital Market Infrastructure Risk Ratings in considering systemic risk exposures to securities settlement systems most used by UK market participants (Refer to article).



- We remain open to verified data sharing, using our databases, with all Associations and User Groups.
- We are delighted to support your Association with our technology to support data sharing.
- In our role as analyst and data consolidator, we remain committed to supporting the collegiate industry initiative to support institutional clients' needs for detailed CSD risk assessments.

Thank you for inviting me and my colleagues.

