

Tri-Party Repo Infrastructure Reform Task Force

PRESS RELEASE

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Tri-Party Repo Infrastructure Reform Task Force Confirms Implementation of Three-Way Confirmations in August 2011

Today, the Tri-Party Repo Infrastructure Reform Task Force (“the Task Force”), under the auspices of the Payments Risk Committee (PRC), is announcing a new three-way confirmation process -- effective August 29, 2011 -- whereby all tri-party repo transactions must be confirmed by all parties to the trade. This new confirmation process is being implemented as part of the response to recommendations made by the Task Force in its May 17, 2010 report and will directly address one of the key infrastructure weaknesses of the U.S. tri-party repo market.

Important details of the new three-way confirmation process include the following:

- Beginning August 29, 2011, clearing banks will expect all market participants using their tri-party platforms to conform to the new process. Non-conforming trades will be rejected following this date.
- Confirmations must match on an agreed set of at least 13 data fields. (A complete list of specifications is available on the Task Force website.)
- Three distinct workflows for implementing a three-way trade confirmation have been developed, allowing market participants options that vary in terms of the associated technology investment and whether the required information flows directly to a clearing bank or via a commercial vendor.

“Implementing a rigorous three-way confirmation process represents a major step forward in helping the industry achieve the objective of the ‘practical elimination’ of intraday credit provided by the clearing banks,” said Darryll Hendricks, chairman of the Tri-Party Repo Infrastructure Reform Task Force. “I am very encouraged by the amount of work done by our Operational Arrangements working group, led by Mark Trivedi from JP Morgan Chase and John Morik from Bank of New York Mellon,” Hendricks added.

The new three-way confirmation process is an important prerequisite for further operational enhancements planned for the tri-party repo market in 2011; such as automated collateral substitutions processes at each clearing bank and changes to the timing of repo “unwinds.”

All of the Dealer firms on the Task Force, representing over 75% of the total tri-party market, are in the process of communicating directly with their clients on these imminent and important changes to the market. Investors that have not begun to adapt their processes for this change should contact their counterparties and clearing banks immediately to make sure they have adequate information and support to do so.

The Task Force previously consulted with the industry and public on the three-way trade confirmation process by requesting comments in December 2010 and by holding extensive discussions with tri-party repo participants. This announcement reflects many of those public comments. Later this month, the Task Force expects to release a progress report which will address the nature of intraday risks relative to current levels and elaborate on the broader groundwork for achievement of the Task Force's objectives.

For additional information about the Task Force and its work visit:

<http://www.newyorkfed.org/tripartyrepo>

About the Task Force

The Tri-Party Repo Infrastructure Reform Task Force was formed in September 2009 under the auspices of the Payments Risk Committee, a private sector body sponsored by the Federal Reserve Bank of New York. The Task Force was formed at the request of the New York Fed to address weaknesses that became visible over the course of the recent financial crisis. Mr. Darryll Hendricks, of UBS AG, is chairman of the Task Force. On May 17, 2010, the Task Force published a report with recommendations for improving the infrastructure of the U.S. tri-party repo market. The full report is also available on the Task Force website.

The work of the Task Force is developed through the joint efforts of a large number of market participants. Task Force membership includes representatives from multiple types of market participants in the tri-party repo market and relevant industry associations. Federal Reserve and SEC staff participated in meetings of the Task Force as observers and technical advisors.

Communications contact for Mr. Darryll Hendricks:

Torie Pennington Von Alt
UBS AG -- Corporate Communications
(212) 713-3262
torie.von-alt@ubs.com