

2004-12-08: CLS Bank live with four additional currencies including the Rand

Number of eligible currencies more than doubles to fifteen in two years since launch

London and New York, 6 December 2004 – CLS Bank International (CLS Bank) announces that it will settle payment instructions in four new currencies for the first time this week. This brings to fifteen the number of currencies eligible to settle through CLS Bank. Following regulatory approval, the Hong Kong Dollar, the Korean Won, the New Zealand Dollar and the South African Rand have been designated as CLS Bank Settlement Eligible Currencies by the CLS Bank Board of Directors. The extension of the CLS Bank service to these currencies enhances systemic stability in the settlement of foreign exchange transactions.

The new currencies join the existing eleven, the Australian Dollar, Canadian Dollar, Danish Krone, Euro, Japanese Yen, Norwegian Krone, Singapore Dollar, Swedish Krona, Swiss Franc, UK Sterling, and US Dollar as CLS Bank eligible currencies.

CLS Bank eliminates FX settlement risk through the world's first simultaneous global multi-currency settlement system, settling payment instructions derived from foreign exchange deals. Over two hundred and fifty institutions are now settling through CLS Bank. Of these, 58 are CLS Bank Members, including four new Members from Korea and South Africa: Korea Exchange Bank, Kookmin Bank, Absa and Standard Bank of South Africa. An additional 191 banks, non-bank financial institutions and corporates and over 35 funds are using the CLS Bank service as Member customers ("third parties"). CLS Bank is now settling on average over 150,000 payment instructions a day with a gross value in excess of US\$ 1.6 trillion.

Announcing the new currencies, Joseph De Feo, Chief Executive Officer of CLS Group and President and CEO of CLS Bank, said: "CLS Bank has made excellent progress over the last year. Volumes have almost doubled and the number of third party institutions is rapidly approaching 250, as a growing proportion of the market experiences the benefits of CLS participation. The addition of four new currencies represents another major enhancement to the service and is part of our ongoing strategy to continue to grow CLS Bank's value proposition."

Fritz T. Klein, Chairman of CLS Group and CLS Bank, added: "We are pleased to welcome the four new currencies into the CLS community. They represent an important enhancement to the service that CLS Bank provides to the market. We acknowledge that the addition of these new currencies has only been possible as a result of a high degree of co-operation between CLS Bank and its many stakeholders. We will continue to work with our stakeholders to identify further ways to enhance the service in the future."

Central Bank quotes.

Hong Kong Monetary Authority

"The inclusion of the Hong Kong dollar into the CLS is an important step in the ongoing efforts of the Hong Kong Monetary Authority in the elimination of settlement risks for foreign exchange transactions. We are pleased that banks in Hong Kong are now provided with an additional channel to settle foreign exchange transactions in a safe and efficient manner," said Mr Peter Pang, Deputy Chief Executive of the Hong Kong Monetary Authority.

Bank of Korea

Soo-Myung Kim, Assistant Governor of the Bank of Korea, noted: "I am very delighted to see the CLS system go live here in Korea after almost two years of preparation. By reducing FX settlement risks of all participating banks, the system should stimulate our FX market activities and enhance our entire financial system stability. Furthermore, I expect that the Korean won's becoming a CLS eligible currency will enhance its credibility and convertibility in the global market."

Reserve Bank of New Zealand

Reserve Bank of New Zealand Governor Alan Bollard commented: "This is a welcome and substantial step forward for financial stability in New Zealand. The New Zealand economy is very much focussed on trade outside our national boundaries, and so for us the issues that this initiative addresses are especially important."

South African Reserve Bank

Ian Plenderleith, Deputy Governor, South African Reserve Bank said: "The Reserve Bank in its endeavour to reduce settlement risk of all market participants in the South African Rand (ZAR) welcomes the domestic banking industry's direct participation in CLS and thereby also the inclusion of the ZAR in CLS as a settlement currency. The Reserve Bank is, therefore, pleased that the Federal Reserve Board and the CLS Bank Board have granted approval for the ZAR to become a settlement currency in the CLS system.

The Reserve Bank has worked closely with CLS Bank, CLS Services and the South African stakeholders to prepare for implementation of the ZAR as a CLS settlement currency. In particular, to ensure a sound legal basis under our jurisdiction by making required amendments to the National Payment System Act with the assistance of the National Treasury and to ensure that the local payment system is operationally ready to implement the ZAR in CLS."

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Notes to editors:

Hong Kong Monetary Authority

The Hong Kong Monetary Authority is the central banking institution of Hong Kong responsible for maintaining monetary and banking stability. Its policy objectives are:

- to maintain currency stability, within the framework of the Linked Exchange Rate system,

through sound management of the Exchange Fund, monetary policy operations and other means deemed necessary

- to promote the safety and stability of the banking system through the regulation of banking business and the business of taking deposits, and the supervision of authorized institutions
- to enhance the efficiency, integrity and development of the financial system, particularly payment and settlement arrangements.

Further details are available at www.hkma.gov.hk.

Bank of Korea

The Bank of Korea is the central bank of the Republic of Korea, based in Seoul. It was founded in 1950 under the Bank of Korea Act. The primary purpose of the bank, as prescribed by the Act, is the pursuit of price stability. The Bank sets a price stability target every year in consultation with the Government and draws up and publishes an operational plan including it for monetary policy.

The Bank also oversees the safety and efficiency of the national payment system and implements risk-reduction measures in the payment system to reduce systemic risks. It provides a large-value payment service to the banking system and financial markets via its real-time gross settlement (RTGS) system, BOK-Wire, which was launched in 1994 as the 8th of its kind in the world.

Besides its use for RTGS transactions between financial institutions, BOK-Wire is also used for the final settlement of obligations arising out of private-run retail payment systems on a DNS basis. The Bank of Korea links BOK-Wire to the book-entry system of the Korea Securities Depository (KSD) to settle the cash-leg of securities transactions on a real-time DVP basis.

Daily average settlements via BOK-Wire have recently been running at 7,100 transactions for a value of 111 trillion won.

Reserve Bank of New Zealand

The Reserve Bank of New Zealand is New Zealand's central bank. As such it is required by statute to:

- operate monetary policy to maintain price stability;
- promote the maintenance of a sound and efficient financial system; and
- meet the currency needs of the public.

The Reserve Bank of New Zealand has operational independence for the management of monetary policy. The Reserve Bank's inflation target is set in a separate agreement between the Governor and the Minister of Finance, which is known as the Policy Targets Agreement.

The Reserve Bank of New Zealand registers banks, and operates a banking supervision system designed to encourage banks to manage their risks carefully. There is no Reserve Bank or government deposit insurance or guarantee of deposits or banks in New Zealand.

The Reserve Bank issues New Zealand's currency. New Zealand's banknotes are made of a polymer plastic with advanced security features.

South African Reserve Bank:

South Africa is about to enter into another very significant phase with regard to its payment system by entering the Rand as a settlement currency in the international CLS System for foreign exchange (forex) transactions.

The Reserve Bank and the banking industry in South Africa have been pro-active in their response to CLS. The Reserve Bank published a position paper as early as 5 November 2002 stating its support for the Rand to enter CLS as a settlement currency. Not only will such a move reduce forex settlement risk for the participants but will enhance the reputation of the currency.

Following the formal commitment in 2003 from two South African banks, Standard Bank and ABSA Bank, regarding their intention to participate in CLS Bank as settlement members (and shareholders) the Governor of the Reserve Bank, Mr Tito Mboweni, assured CLS Bank that the Reserve Bank was well aware that a considerable amount of work needed to be done before the ZAR could be settled via CLS Bank, but that the Reserve Bank was fully prepared to take all the necessary actions to provide for the best possible legal, technical and sound institutional environment to facilitate the successful implementation of the ZAR in CLS. All the requirements have now been met thanks to the co-operation and commitment of the various stakeholders.

CLS Group and CLS Bank:

Continuous Linked Settlement (CLS®) is a unique process that enables cross border currency transactions to be settled intraday on a payment versus payment basis. It is a real time, global settlement system that eliminates the settlement risk caused by delays arising from settlement across time zones. CLS represents the most dramatic change in FX settlement in over 300 years – previously banks had to rely on a global network of correspondents and a degree of faith that they had received their payments in one currency as they paid away another – CLS turns this faith into certainty.

The CLS service is offered by CLS Bank International (“CLS Bank”), and is supported by over 70 of the world’s largest global financial institutions. Together they account for a substantial majority of the cross-currency transactions across the globe.

CLS Bank links to the Real Time Gross Settlement systems operated by Central Banks in fifteen currencies (US Dollar, Euro, UK Sterling, Japanese Yen, Swiss Franc, Canadian Dollar, Australian Dollar, Swedish Krona, Danish Krone, Norwegian Krone, the Singapore Dollar, the Hong Kong Dollar, the New Zealand Dollar, the Korean Won and the South African Rand). CLS Bank is based in New York and is an Edge Corporation bank supervised by the Federal Reserve.

For further information please visit the CLS Website at www.cls-group.com

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