

Dieter Maier
WP-Belieferung Euro

Telefon 0049 -711-127 75820
Telefax 0049- 711-127 74874
Dieter.Maier@LBBW.de

Europäische Zentralbank
Secretariat Division
Kaiserstrasse 29
60311 Frankfurt am Main

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Public Consultation to CCBM2

Dear Madams, dear Sirs,

within the scope of the Public Consultations we feel it necessary to mention the following facts:

The Landesbank Baden-Württemberg (LBBW) currently deposits collaterals only via XEMAC or in the CCBM-Direct-Account.

Collaterals in XEMAC are currently assigned to the following counterparties:

| | |
|---------------------|----------------------------------|
| Deutsche Bundesbank | Overnight- and Intraday-Facility |
| EUREX | Margin |
| EUREX | Clearing-Fond |
| CBF | Basic credit line |
| CBF | Securities-Lending Trades |

Trades in Euro-GC-Pooling are also processed via XEMAC.

CCBM2 provides access to Tri-Party-Services. From our point of view XEMAC has to be preserved, to keep its advantages and to avoid yet another capital investment for already existing services.

Particularly important for our institution are the following points:

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1. „Drittverwahrung“:

An important advantage of XEMAC is the possibility of mandatory usage. This enables the separate management of all our clients, while having management and depository on only one depository-account. The entire holdings of our clients remain in LBBW-book-keeping. That means the automatic processing of all kinds of interest-payment, redemption and other corporate events.

The allocation of holdings to clients in XEMAC is effected by a client-reference-number, which is made up of the german banking-code (“Bankleitzahl”) and an account-number. This renders possible an accurate separation of holdings.

Our clients would have considerable expenses, in having to deposit and manage their holdings by themselves. For our medium-sized clients this would be a big disadvantage.

In former publications Eurosystem admitted to the german Drittverwahrung“ and we assume that this is still effective.

2. High Efficiency:

There are two alternatives of placing orders in XEMAC:

1. Online-entry in XEMAC
2. Gateway LBBW / CBF

As our clients are not directly connected to XEMAC, we constructed a gateway for them and for our house as well with an associated Online-tool. Therefore inhouse-booking and XEMAC-orders are only one process step. Execution of Euro-GC-Pooling-trades is fully automated.

Depository of domestic and foreign securities in Xemac further boosts efficiency.

Let us point out the advantages of Collateral-Pooling, especially for voluminous trades. In this cases processing Transaction by Transaction is highly inefficient.

XEMAC provides realtime-transactions. This prevents time-lags in reusing the holdings.

To be able to use XEMAC efficiently, LBBW made considerable financial investments in Software in the last years.

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3. Use of Euro-GC-Pooling:

Euro-GC-Pooling is a very important fund-raising instrument for LBBW, which becomes especially efficient through the use of XEMAC. An additional advantage is the immediate re-use of received collaterals.

The processing of Euro-GC-Pooling-Trades is totally automatic for LBBW and its clients.

Integration of additional Links in XEMAC will make the system useable for new markets.

The relevance of the Euro-GC-Pooling platform is quite obvious in the currently difficult Liquidity-situation.

4. Pricing:

Price-performance-ratio of XEMAC is especially favourable, due to the fact that only external costs are allocated. Monetary policy operations are cost-free. This is meaningful in the light of rising costs of refinancing.

5. Self-Collateralisation:

Self-Collateralisation is a helpful instrument for saving costs and for the advancement of settlement-efficiency. Therefore it should be maintained.

With kindest regards

Landesbank Baden-Württemberg



Jörg Arnold



Dieter Maier