

News Release

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INDUSTRY
Northern Trust Corporation

Northern Trust Launches New Collateral Management Service for Over-the-Counter Derivatives

LONDON, January 31 /PRNewswire/ --

Northern Trust has launched a full suite of automated collateral management services which will help investors manage their credit risk arising from their use of over-the-counter ("OTC") derivatives. Northern Trust is one of the first asset servicers to offer this service at a time when the use of OTC derivatives and when the associated demand for the outsourcing of collateral management services is rising dramatically.

Features of the service that Northern Trust now provides for OTC derivative trades under International Swaps and Derivatives Association (ISDA) Master Agreements - include:

- Independent OTC valuation services
- Effectively managing collateral according to the terms of the credit support agreements (CSA and CSD)
- Making collateral calls and responding to collateral demands according to the terms of the credit support documents
- Reporting valuations and collateral activity to clients
- Performing trade reconciliations with counterparties
- Collateral safekeeping and clearing
- Cash management through Northern Trust Global Investments

"Developing a robust, automated collateral management solution on a global scale that delivers timely, accurate information has been a high strategic priority for Northern Trust. We have seen a rise in the use of OTC derivatives amongst our client base and increasing interest from pension funds in particular in outsourcing their collateral management activities," stated Stephen Andress, global head of derivatives operations at Northern Trust. "This trend continues to gather momentum in Europe, and the USA and Asia are set to follow," he added.

Managing collateral pledged in respect of OTC derivative trades can be a highly complex process. Furthermore, in a manual environment, the complexity of managing the daily process effectively can add significant risk owing to the absence of bespoke, automated systems.

Revel Wood, product manager for derivatives processing at Northern Trust, added, "Investors want to benefit from a specialist collateral management process without having to commit resources and capital to do it themselves, and this is driving the trend towards outsourcing. The launch of our service builds off our established independent valuation service for OTC derivatives through our third party valuation vendors."

Northern Trust was the first asset servicer to contract for collateral management outsourcing with Lombard Risk, a provider of risk management, regulatory and valuation software, to provide automated collateral management capabilities through its Colline(R) application.

Mr. Wood added, "We have a first mover advantage in this respect, being the first asset servicer to have contracted for collateral management outsourcing with Colline in March 2006."

About Northern Trust

Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for corporations, institutions and affluent individuals worldwide. Northern Trust, a multibank holding company based in Chicago, has a

growing network of 84 offices in 18 U.S. states and has international offices in 13 locations in North America, Europe and the Asia-Pacific region. As of December 31, 2006, Northern Trust had assets under custody of US\$3.5 trillion, and assets under investment management of US\$697 billion. Northern Trust, founded in 1889, has earned distinction as an industry leader in combining high-touch service and expertise with innovative products and technology. For more information, visit <http://www.northerntrust.com> .

Northern Trust is authorised and regulated in the United Kingdom by the Financial Services Authority.

About derivatives

A derivative is a financial contract whose value changes in relation to the price movements of its related or underlying security or asset, such as a commodity, bond, equity or currency, or a combination of these. The two main types of derivatives are exchange traded derivatives, which are bought and sold on specialist exchanges, and over-the-counter ("OTC") derivatives which are customised contracts between two or more contracting parties. Pricing, administering and acting as custodian for these types of derivatives can be highly complex.

Web site: <http://www.northerntrust.com>

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