

Mutual fund industry supports Calastone to develop settlement alternative to Euroclear CREST

London, 16 November 2009 - Calastone Limited, the independent cross-border transaction network for the mutual funds industry, announced today that Cofunds, FNZ , Nucleus, Henderson and Schroders have signed letters of commitment to support Calastone in developing a settlement alternative to Euroclear's UK&I CREST system. In addition, Gartmore, and others have voiced support for this initiative. IFDS and Capita Financial Group have confirmed they will be supporting their client's developments for this service. The service will be available to the entire funds market.

Calastone undertook an industry consultation process with a selection of mutual fund industry firms ranging in size with both retail and institutional coverage from buy and sell side participants and third party administrators. Throughout the process, Calastone was asked to develop an alternative to Euroclear UK&I's CREST settlement system.

CREST settlement is essentially a secondary market solution, not deemed ideal for settling mutual fund transactions, a primary market activity where units are bought and sold directly with the issuer and where legal title is recorded on the fund managers' register and not within a central securities depository. The costs of CREST membership can be prohibitive for smaller mutual fund firms and the industry is seeking a more flexible approach.

Calastone will develop a market model based on a matching engine approach, designed to calculate counterparty net settlement positions together with automated notification of legal title in fund unit positions. Currently, settlements are undertaken on a 'many-to-many' bilateral basis and the Calastone approach will enable firms to settle their transactions using a more efficient model. The Calastone model is anticipated to be launched by the end of Q1 2010.

Commenting on the plans, Dan Llewellyn, Head of Market Standards at Calastone said, "The Calastone settlement approach will offer a cost effective, transparent model designed to calculate net positions for each counterparty to settle accordingly. This model will be designed to be easy to adopt, scale and integrate into existing back office systems. The Calastone settlement solution will promote open architecture and therefore counterparties will not be required to be participants of Calastone's transaction network; any member of the mutual fund community can participate and benefit from increased automation and reduction in settlement risk."

Commenting on the industry support, Ken Tregidgo, Business Development Director at Calastone said, "Throughout the consultation process, we were surprised at the degree of discontent with the incumbent settlement model. We are grateful for the level of commitment from these firms and their eagerness to be involved with scoping out a more flexible and cost efficient approach. We believe this is in line with the regulators' ambitions for greater cross-border transactions and harmonisation and our approach will be designed to be entirely interoperable with any regional settlement models. We firmly believe that the more efficient the approach, the greater the potential for growth in transaction and settlement volumes which can only benefit the mutual fund industry."

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Notes to editors:

About Calastone – the independent cross-border transaction network for the mutual fund industry.

Calastone was established in March 2007 by three joint-founders, Kevin Lee (Managing Director), Ian Taylor (Chief Operating Officer) and Campbell Brierley (Chief Technology Officer). From industry experience they recognised that, unlike the institutional market, communications in the mutual fund industry between the fund providers, distributors and their transfer agents was nothing short of archaic. Messaging is still conducted by phone, fax, email, and excel spreadsheet; and the industry has been lacking a transaction network capable of handling and interpreting instructions.

Calastone presents, for the first time, the opportunity for the whole mutual fund market to become fully electronic. The magic of the Calastone Transaction Network (CTN) is that participants are able to send/receive instructions in any way they prefer, whatever their messaging protocol. Also, for the first time, participants can track their trades and manage exceptions on a real-time electronic basis throughout the transaction lifecycle. Real-time tracking through Calastone's execution management system helps firms reduce not only their costs but also operating risks.

About Capita

Capita Financial Group operates in the UK, Ireland, Gibraltar, Jersey and Guernsey. The business administers in excess of £28 billion of assets on behalf of more than 100 investment management groups. It is the dominant provider of UK 'hosted' manager services to collective investment schemes, and is the second largest administrator of closed ended funds.

The Capita Group Plc is the UK's leading provider of BPO and integrated professional support service solutions. With 36,000 people at more than 300 sites, including 62 business centres across the UK, Ireland, the Channel Islands and India, the Group uses its expertise, infrastructure and scale benefits to transform its client's services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE100 with revenues for 2008 of £2,441 million.

Further information on Capita Group Plc can be found at: <http://www.capita.co.uk>