Clearstream Spotlight

Inject liquidity into the market via the Global Liquidity Hub

Clearstream's Global Liquidity Hub is increasingly the channel of choice for central banks to inject liquidity into the market. Central banks can benefit from a comprehensive suite of fails lending (ASL) and strategic securities lending services (ASLplus).

The European Central Bank (ECB) has recently launched an unprecedented quantitative easing programme to reduce the risk of deflation. Over a period of at least 18 months, securities worth EUR 60 billion will be bought back monthly by the respective national central banks.

To avoid the creation of a collateral shortage through this significant withdrawal of high-quality liquid assets (HQLA) from the market, the ECB actively encourages national central banks to reinject the securities into the market via securities lending.

Comprehensive securities lending services

Central banks are increasingly choosing the Global Liquidity Hub as their channel of choice for reinjecting much-needed HQLA into the capital markets. Clearstream's securities lending services under the Global Liquidity Hub are the ideal tool for Eurosystem central banks to meet this ECB mandate. The fails lending service ASL is complemented by a unique strategic securities lending service ASLplus.

ASLplus is a strategic securities lending service that increases lenders' portfolio yields, with Clearstream acting as principal and single borrower. The service is driven by capital market demands rather than failing trades.

ASLplus service tailored to central bank needs

While central banks worldwide have been using Clearstream's ASLplus service to lend their foreign reserves since 2006, we are now witnessing a greater availability of HQLA in our strategic lending programme – 10 of the top 13 lenders in ASLplus are central banks. In addition to providing the market with an additional buffer of liquidity, ASLplus is an attractive means for central banks to maximise the use of their assets.

The Public Sector Purchase Programme (PSPP)

The Eurosystem's PSPP was launched on 9 March 2015 and includes government bonds and bonds issued by agencies, international organisations and multilateral development banks located in the Eurozone. 88 percent of the total purchases under the PSPP are government and agency bonds and 12 percent are securities issued by international organisations and supranational institutions. The eligible securities are listed on:

https://www.ecb.europa.eu/mopo/liq/html/pspp.en.html

The purchases will be subject to an issue limit of 25% and an issuer limit of 33%. At the time of purchase, the securities must have a remaining maturity of between 2 and 31 years. There will be no primary market purchases under the PSPP.

The ECB itself will only buy government and agency bonds directly which will make up 8 percent of the total PSPP. The remaining 92 percent will be purchased by Eurozone national central banks in the form of domestic bonds issued by their respective local governments and recognised agencies.

The assets purchased under the PSPP will be made available through securities lending, including fails lending, agency lending and bilateral securities lending programmes (see text to the left). The ECB will publish the aggregate amount of securities purchased on a weekly basis.

More information

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