

# Clearstream

## Collateral Management – Balance Sheet Netting

### Product Information

for broker dealers  
and banks

### Key benefits

#### Efficiency gains

- Compliant with both EU and US accounting standards
- Using both Deutsche Börse Group products Eurex Repo special repo and GC Pooling to face same counterparty Eurex Clearing AG
- Settling both products via Clearstream's ICSD in CoBM in a single account.

#### Lower costs

- Reduced capital requirements through off-setting two transactions with the same counterparty in one single cash account
- Lower capital cost

#### Minimised risk

- Ring-fenced GC Pooling Basket in combination with new trade types allows banks to finance the cheapest-to-deliver (CTD) out of their future delivery obligations

## New solution to lower capital costs via Eurex cleared repo in Clearstream

Clearstream and Eurex have developed an innovative solution to help customers achieving balance sheet netting (BSN) benefits by trading both special bilateral repos and GC Pooling in Euro within its infrastructure.



The new efficient solution complies with netting requirements identified for gross settlement systems according to EU (IFRS – IAS 32) and US (US GAAP – FIN41) accounting standards. Customers benefit from reduced capital requirements in line with their account structures.

This service is available for all Eurex Repo and GC Pooling eligible clients.

#### Innovative product offering

The new solution enables customers to settle all cash against one account in Clearstream:

- Special repos – all cash settlement against Clearstream Cash account
- GC Pooling repos – all EUR cash funding against same Clearstream Cash account
- All securities settlement through one long box to increase efficiency

#### Financing of future CTD in GC Pooling

A new ring-fenced GC Pooling basket in combination with new trade types will enable banks to finance the cheapest-to-deliver (CTD) out of their future delivery obligations, with minimised risk.

The new CTD basket will always contain the deliverable securities of the next three Futures contract expiries, at quarter ends and will be automatically updated in case of an inclusion or exclusion of a deliverable security.

Reuse of the received collateral is not possible. Nevertheless, the collateral giver/cash taker will be able to substitute collateral as in other baskets as of today.

All trades in this basket will settle early at 7:00 a.m. on the front leg whereas the term leg will be nettable on the basket level as of today.

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# Further insights into the solution – FAQ

## Concept

How does Balance Sheet Netting (BSN) differ from settlement netting?

- BSN results in reduced capital requirements for clients through off-setting of two transactions with the same counterparty in one single cash account, in line with customers' accounting structures.
- Settlement netting refers to grouping of multiple cash flows into a single "netted cash amount", mainly result of technical settlement functionality.

## Participants

Who is eligible for the BSN solution?

- Any Clearstream client that is eligible for Eurex Repo and GC Pooling.
- The applicant must be under the regulation of a domestic regulatory authority.
- The applicant must be a credit institution or an investment firm according to the definition in Art. 1 and 4 of the Council Directive on markets for financial instruments 2004/39/EG ("MiFID").
- The applicant is responsible for the technical connection to the Eurex Repo trading system.
- The applicant is required to follow the Eurex Clearing clearing process
  - Directly: As a clearing member of Eurex Clearing
  - Indirectly: By signing an agreement with an existing clearing member

What are the subscription conditions?

- Setup of GC Pooling including two new triparty collateral management accounts for delivering (Reservation account) and receiving (Segregation account) collateral in Clearstream

- A new dedicated Clearstream cash account for GC Pooling and special repo activities
- Signature of the relevant Collateral Management Service Agreements (CMSA) to participate in the Triparty Collateral Management Services in Clearstream.

What does it take for an existing GC Pooling participant with CeBM settlement to switch to CoBM settlement to take advantage of BSN benefits?

- There is a clear migration process in place which requires close customer involvement and coordination with Eurex and Clearstream.

## Cash leg

Why does Clearstream not offer BSN in CeBM in the T2S DCA?

- Clearstream will offer the service, following T2 consolidation.

When is Clearstream going to offer BSN in CeBM?

- This service is under development and is targeted to be delivered before end of 2021.

Does Clearstream offer BSN in other currencies settling in CoBM, i.e. USD, CHF or GBP?

- Yes, as long as the currency in demand is available for trading in both Eurex Repo and GC Pooling.
- Available currencies are USD, CHF, GBP and EUR.

Can a GC Pooling participant have a dual set-up i.e. one for CoBM and a second for CeBM settlement?

- Only one set-up is possible for all GC Pooling activity. Combination of CeBM and CoBM set-up is not allowed for GC Pooling.

Is there a requirement for credit line set-up for the new dedicated Clearstream account?

- Yes, to benefit from BSN, customers are required to have credit lines on the account.

Can a BSN solution user keep its CoBM settlement feature when Euro GC Pooling will start to settle in T2S?

- Users may choose between CoBM and CeBM set-up.

In context of BSN, can customers use their single ISIN sale proceeds to fund their GC Pooling transaction?

- GC Pooling activity is a cash-driven business line and customers are expected to fund their trade in line with the Eurex trading requirements.

## Deadlines

When using the BSN solution, why do customers have to end their overnight trading in EUR around 16:00 while the actual trading deadline in Eurex Repo is 17:00?

- CoBM cash funding follows the Creation deadline (currently 16:30 CET)

Why can customers not move (credit and debit) their CoBM cash in EUR after 16:30?

- Commercial bank cash funding follows the Creation deadline (currently 16:30 CET)

In case of GC Pooling cash settlement after 16:30 CET, can customers withdraw their sales proceeds?

- No, any cash settlement after 16:30 CET will be kept in the customer account and shall be subject to overnight charges.

## Compliance

How can customers be sure that their BSN solution is compliant with US GAAP and IFRS accounting principles and relevant for their firm?

- To Clearstream's best knowledge, the solution meets the regulatory requirements, but it is the responsibility of each individual user to validate the solution in their organisation. Clearstream is not responsible for regulatory compliance.

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## Contact information

For further information, please contact your Relationship Manager.

[www.clearstream.com](http://www.clearstream.com)