

Clearstream Liquidity Hub News

OTC derivatives under EMIR



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EMIR checklist

Customers are recommended to assess the impact of EMIR on their business with the following questions:

- How will the different components of EMIR impact me (cleared product scope, clearing threshold test / commercial hedging exemptions, trade compression and netting)?
- How can I best help my underlying clients address their collateral challenges?
- Is my institution considered systemically important and what classification do I fall under (FC, NFC +/-)?
- When will the requirements for my classification enter into force?
- How would a drop in liquidity such as a shortage of HQLA/collateral affect me?
- There is a documentation challenge for non-cleared initial margin, how many of my agreements are in scope and how many new agreements do I have to put in place?

The upcoming European Market Infrastructure Regulation (EMIR) will have a major impact on buyside and sellside customers. Clearstream's Global Liquidity Hub offers services for both cleared and uncleared OTC derivatives from a single collateral pool, including the collateral exchange of initial and variation margin.

Customers need to ask themselves to what extent they will be affected by EMIR (see text to the left). Whereas banks need to ensure that both they and their clients are ready for collateralised relationships, central clearing and increased margin call volumes, buyside institutions might face an overhaul of entire business lines. This makes it attractive to outsource the margining to triparty agents such as Clearstream instead of developing costly in-house solutions.

CCP margining

Mandatory clearing of standard OTC derivative contracts will be phased in from 2016 onwards for different groups of market participants. Customers can benefit from Clearstream's triparty collateral management services for meeting these requirements as Europe's leading clearing houses use the Global Liquidity Hub as the collateral location for margin purposes. Customers will also benefit from collateral optimisation and transformation services to source the necessary high-quality liquid assets for CCP margining.

Collateralisation of uncleared trades

OTC derivatives which do not fall under the clearing obligation will face

strict collateralisation requirements, including the exchange of initial and variation margin. The requirements for the exchange of variation margin will enter into force in September 2016 while initial margin requirements in segregated accounts will be phased in from 2016 to 2020, depending on the size of average aggregate notional amounts.

Clearstream's OTC Collateral service enables customers to meet their Emir requirements in a streamlined and efficient manner by covering all derivative exposures from a single collateral pool out of the Global Liquidity Hub. The service covers all aspects of bilateral collateral management from CSA review and administration, mark-to-market, margining (including variation and initial margining), dispute management and portfolio reconciliation to payment/ settlement follow-up and reporting.

Clearstream's Global Liquidity Hub is a one-stop shop for the collateral management of OTC derivatives under EMIR – both buyside and sellside customers can benefit from the CCP margining service for cleared and the OTC Collateral service for uncleared derivatives.

For more information about GSF services, please contact the **Sales and Relationship Team** or call one of our offices:

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