

Clearstream Spotlight

Clearstream and Oliver Wyman study

The T2S Opportunity – Unlocking the hidden benefits of TARGET2-Securities

A new Clearstream-commissioned study by Oliver Wyman uncovers benefits for banks under T2S that can be achieved through the consolidation of securities and cash with CSDs and central banks.

The European post-trade landscape is highly fragmented with multiple layers of intermediation which create inefficiencies, risks and costs. The study outlines the T2S benefits banks can unlock by consolidating their securities and cash holdings in Europe directly with CSDs and central banks:

1. Delay settlement-related exposures: Holding securities at CSDs and settling in central bank money can reduce credit and operational risk, lower capital requirements, increase safety and stability and give direct access to central banks and their credit facilities.

2. Pool settlement collateral: Consolidating collateral for settlement credit lines reduces the need for buffers across markets. Settlement and triparty collateral can also be pooled.

3. Net settlements: By netting offsetting cash payment flows across markets, participants can further reduce settlement lines, collateral needs and associated costs.

4. Simplify operations: Access the settlement and safekeeping

infrastructure through a reduced number of access points.

Significant cost savings

Quantitative case studies, validated with market participants, showed that banks can realise the following significant capital, funding and operating cost savings by delayering and consolidating assets across major T2S markets:

- A broker-dealer with EUR 100 bn in trading assets and liabilities could save up to EUR 70 mn.
- A global custodian with EUR 400 bn in assets under custody could save up to EUR 50 mn.
- A regional bank with EUR 140 bn in securities deposits with a home market bias could save up to EUR 30 mn.

In addition to cost efficiencies, a more consolidated T2S model can reduce operational complexity and risks.

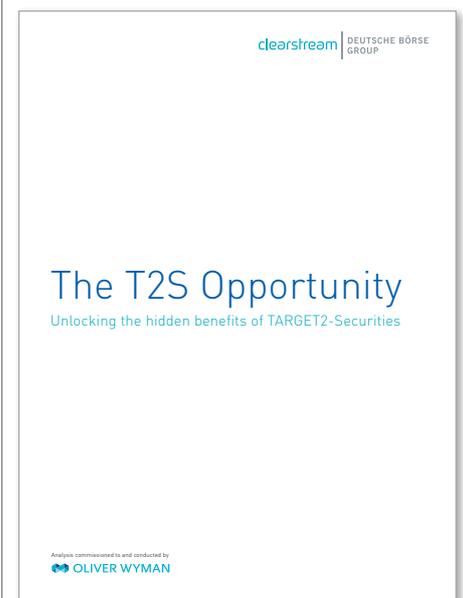
Time to act

As a prerequisite for achieving the full T2S benefits, banks need to fundamentally change their operating models in the post-trade area, particularly concerning settlement. Given planning, budget and implementation cycles, and in light of other regulatory initiatives kicking in, banks need to take action now to unlock these potential cost savings in time for the implementation of T2S.

Clearstream's T2S value proposition

Clearstream is uniquely positioned to leverage the potential of T2S for our customers via our CSDs in Germany and Luxembourg and a value proposition that includes the ICSD service levels and its product range:

- Today, our CSD in Germany contributes 40% of market settlement volume to T2S, making it the gateway of choice into T2S
- Clearstream will also make Eurobonds available on T2S
- Settlement will be carried out at ECB pricing without an additional Clearstream fee
- Customers can pool their European domestic and international assets in a single pool of liquidity
- Clearstream will connect to T2S on 12 September 2016.



More information

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