

Clearstream Spotlight

Clearstream launches OTC Collateral service

OTC Collateral, Clearstream's new bilateral collateral management service, supports customers throughout the entire lifecycle of OTC derivatives while at the same time enabling full reuse of the received collateral for triparty purposes. Customers can use the Global Liquidity Hub to manage OTC, triparty and central counterparty (CCP) exposures from a single collateral pool.

Derivatives are currently a hot topic in banks and corporate treasuries alike as upcoming regulations are requiring the clearing of an increasing number of derivative trades through a CCP. As a result, it will become more and more difficult for customers to keep track of the necessary collateral for margining the trades and to optimise allocation across CCPs.

Collateralising uncleared derivatives

While the bulk of derivative trades will shift to CCPs, some will inevitably remain uncleared. Market participants will therefore have to manage and optimise collateral allocation of cleared and uncleared OTC derivatives in parallel.

To help customers meet this challenge, Clearstream is launching OTC Collateral, a bilateral collateral management service which will enable customers to cover all their derivative exposures from a single collateral pool out of the Global Liquidity Hub.

The new service will cover all aspects of bilateral collateral management from CSA review and administration, mark-to-market, margining, dispute management and portfolio reconciliation to payment/settlement follow-up and reporting.

Full triparty reuse

The collateral received from bilateral transactions under the OTC Collateral service can be readily reused within the triparty environment of the Global Liquidity Hub. The full range of triparty products is available for reuse, including triparty repo, GC Pooling, reinvestment in money market funds for cash collateral and collateral transformation. Our collateral transformation services include OTC and centrally cleared repos, securities lending and pledges to central banks.

This integration of OTC Collateral into the award-winning Global Liquidity Hub helps customers overcome collateral fragmentation and optimise allocation by enabling them to cover over-the-counter, triparty and central counterparty (CCP) exposures from a single collateral pool.

While the initial focus is on OTC derivative exposures, OTC Collateral stands for an entire suite of bilateral collateral management activities, including bilateral repo, securities lending and special collateral agreements which can be tailored to customers' individual business needs.

A full suite of OTC derivative services

OTC Collateral is the latest addition to the Global Liquidity Hub's holistic suite of services which help customers manage their OTC derivative trades in an efficient and secure manner in line with stringent upcoming regulations throughout the entire trading cycle. In addition to the bilateral and triparty OTC collateral management services, customers can benefit from registration, contract administration and portfolio reconciliation.

Clearstream's service suite for OTC derivatives covers all post-trade requirements, including initial margin segregation both through OTC Collateral and triparty services in line with regulatory recommendations. Once the trade has been concluded, it is registered in our trade repository REGIS-TR. In addition, the TradeCycle offering with Commerzbank offers a holistic suite of services for cleared and uncleared OTC derivatives which includes added-value services such as OTC clearing, collateral advice and valuation.



More information

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