

# Clearstream Global Liquidity Hub

## Newsletter

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## Global Liquidity Hub upgrades in view of T2S



Clearstream will offer harmonised collateral management and securities lending services for customers of its ICSD and its CSDs once Clearstream joins T2S in 2016.

Customers will be able to pool their assets, including fixed-income, equities and funds, at Clearstream's CSDs as their gateway to T2S while continuing to benefit from the ICSD's securities lending and collateral management services. For example, it will be possible to settle triparty repos in commercial bank money (multi-currency) or central bank money (EUR) with assets held at the ICSD and at the CSDs.

### Full triparty interoperability

There will be full triparty interoperability between Clearstream's CSDs and ICSD which will result in improved liquidity management while optimising

collateral use across their entire European asset pool. This will make it possible to use the assets pooled at the CSDs for triparty CCP margining, CCP-cleared repos and the collateralisation of OTC derivatives amongst other things.

At the moment, triparty repos can only be conducted in commercial bank money and it is not possible to use CSD assets to collateralise them – the assets have to be transferred to the ICSD manually first or through our Liquidity Hub Connect service for local custodian clients. In the context of T2S, however, it will be possible to conduct triparty repos directly in central bank money using assets held under custody anywhere at Clearstream's CSDs and the ICSD.

## Harmonised securities lending services

The aforementioned pooling of CSD and ICSD assets creates a large liquidity pool of lendable securities which will be available for borrowing by both CSD and ICSD customers. Clearstream's fails lending and securities lending services will also be harmonised in the run-up to T2S and will be offered to both CSD and ICSD customers.

Borrowers will enjoy the same high level of securities lending service on T2S that is currently offered by Clearstream's ICSD and lenders will also have similar opportunities regardless of their settlement and custody location.

## New opportunities for equity

The Global Liquidity Hub's services were traditionally geared towards fixed income as equity is currently under custody in local markets where it is traded. Under T2S, it will be possible to pool equity held in all participating markets with Clearstream's CSDs from where it can automatically be mobilised for triparty use in Clearstream's new collateral management system or for securities lending.

T2S will open up new opportunities for pooling CSD and ICSD liquidity across asset classes under the Global Liquidity Hub, thereby overcoming collateral fragmentation and maximising the use of customers' assets by automatically allocating them for collateral management and securities lending purposes.

## Extended coverage for the Americas

Clearstream is extending its ICSD business day as well as the cash and securities deadlines for the North and Latin American markets.

The first phase of the project was completed in April 2014 when internal ICSD settlement times were extended to 20:00 CET (14:00 EST). The end of day deadlines for securities and cash for the Americas were also extended. The ICSD aims to cover the entire US processing day by the end of 2016, coinciding with our CSD settlement migration to TARGET2-Securities (T2S).

This deadline extension not only improves Clearstream's services for the North and Latin American markets, but also benefits all our customers by providing improved access to the all-important and highly liquid US collateral pool as well as to the high-quality Canadian collateral pool.

Whereas all customers will benefit from the internal settlement enhancements, the domestic settlement enhancements and the extension of cash deadlines will be offered in Argentina, Brazil, Canada, Mexico, Uruguay, USA and Peru. These improvements are a further step towards moving collateral 24 hours a day in the Global Liquidity Hub.



## New connectivity for collateral management

Clearstream is adapting its connectivity in preparation for T2S. In addition to offering T2S access, the OneClearstream connectivity suite will combine both the ICSD and CSD services.

Xact is the new web-based access to Clearstream (U2A, user to application) with a collateral management module which is already live. Following an update in March 2015, customers will benefit from a new online trade simulation tool which will use live data to display trading capacity. The tool will not only base the simulation on assets held at Clearstream, it will also enable customers to source

external portfolios, giving them an overview of all assets. Customers can choose between a real-time simulation for quick checks and an extended simulation which takes account of optimisation as well as additional parameters on the trading and collateral management side.

A number of new concentration limits will provide customers with additional risk management tools and more flexibility to fine-tune collateral profiles. Going forward, Clearstream also intends to make collateral criteria more flexible, allowing customers to freely combine existing parameters for eligibility and haircuts, thereby multiplying their options exponentially.

## Improved cross-border triparty collateral management in the Eurosystem

All customers participating in Eurosystem tender offers and auctions can benefit from automated triparty allocation by Clearstream to their home central banks.

This means that customers can manage their EUR exposures from a single collateral pool at Clearstream. By meeting all their EUR liquidity requirements in both central and commercial bank money via the Global Liquidity Hub, customers can both overcome collateral fragmentation while also benefiting from more efficient risk management and operational processing.

Clearstream's triparty collateral management services enable cross-border pledges in the Eurosystem via the Banque centrale du Luxembourg and the Deutsche Bundesbank. All Eurosystem participants can use their European Central Bank (ECB) eligible assets held at Clearstream to obtain intraday liquidity in TARGET2, the Eurosystem payment settlement system, and collateralise the resulting central bank exposures.

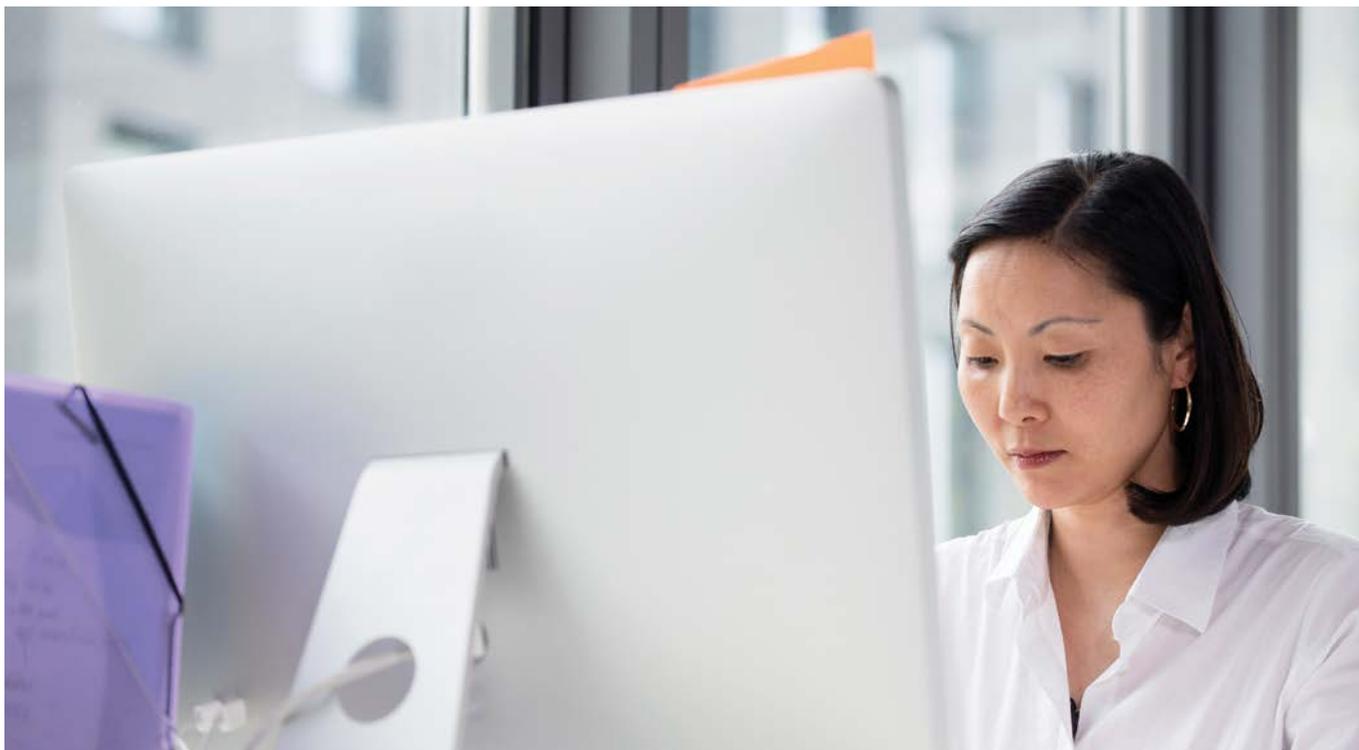
This cross-border service complements pledge facilities under Clearstream's Global Liquidity Hub for central bank borrowing in USD with the Federal Reserve Bank of New York. German and Luxembourgish customers can continue to make use of domestic central bank borrowing from the Deutsche Bundesbank and the Banque centrale du Luxembourg respectively.

## Single master agreement for triparty repo – a great success

The Clearstream Repurchase Conditions (CRC) are a legal master agreement for triparty repo transactions which enables market participants to sign just one contract for multiple counterparties that have also signed the same agreement. This greatly streamlines the contract negotiation process and makes it easier for customers to get started in triparty repo.

The CRCs have raised great interest in the market since their introduction in June 2013, especially amongst corporates – 40 customers are already using the agreement. Clearstream provides free, regularly updated legal opinions via the signature of non-reliance letters for 13 jurisdictions in Europe and the Asia-Pacific region, further helping to relieve customers' legal departments. The opinions cover topics such as the enforceability of the CRC, validity of transfer of title, netting and set-off, impact of insolvency proceedings and choice of law and jurisdiction.





## Standardised collateral baskets

Customers can choose from three types of standardised collateral baskets:

CCP/central bank/GC Pooling profiles, OTC baskets and LCR-compliant baskets. Each basket contains a specific set of collateral guidelines to cater for different risk profiles and the OTC baskets will soon be quoted on a daily basis by numerous banks on Bloomberg and Reuters.

For example, customers can choose between sovereign, global emerging market, Eurozone covered and global corporate bond baskets as well as European and global equity OTC baskets. Customers can use these baskets to deal with banks in 110 countries.

In addition, more and more customers are looking for assistance in understanding which assets meet the liquidity requirements of the Basel III/CRD IV regulation.

Customers can benefit from a full suite of standardised collateral baskets of high-quality liquid assets which will enable them to automatically source collateral for triparty repos.

Clearstream's LCR compliant baskets are based on the most common interpretation of the Basel III/CRD IV definition of high quality liquid assets and will be adapted to conform with the recent European Commission delegated act on liquidity coverage ratio requirements.

## Bilateral collateral management

OTC Collateral enables customers to cover all their 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, dispute management and portfolio reconciliation to payment and settlement follow-up as well as reporting

The collateral received from bilateral transactions through the OTC Collateral service can be readily reused within the triparty environment of the Global Liquidity Hub. While the focus is on OTC derivative exposures, OTC Collateral covers 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.

## Automated triparty collateral management for assets held in local custody

Clearstream, Citibank N.A. (Citi) and Standard Chartered Bank have launched Liquidity Hub Connect, a customised, fully automated triparty collateral management service.

The new service will enable mutual customers to use the assets held domestically at Citi and Standard Chartered Bank to cover exposures with Clearstream's award-winning Global Liquidity Hub in a fully automated way.



This brings the total number of fully implemented Liquidity Hub Connect partnerships to three together with BNP Paribas Securities Services (BPSS). Thanks to these partnerships,

mutual customers benefit from the full suite of collateral management services under Clearstream's Global Liquidity Hub while at the same time continuing to benefit from the partners' local custody services.

Unlike other models, Liquidity Hub Connect allocates collateral in real time and only up to the required amount. This allows BPSS, Citi and Standard Chartered customers to optimise their use of collateral without putting their domestic trading and financing activities at risk. Deutsche Bank has signed a letter of intent to also offer the service to its local custody clients.

## CCP margining solutions for buy-side customers of global custodians

An extension of the Liquidity Hub Connect services to global custody will enable buy-side clients of global custodians to benefit from Clearstream's CCP margining service without having to open an account at Clearstream and while leaving their relationship with their custodian unchanged. The Liquidity Hub Connect service is currently for local custodian sell-side clients.

Buy-side customers are increasingly looking for solutions to meet upcoming regulatory requirements which mandate the central clearing of derivative trades. Clearstream can support these customers in meeting the margin requirements of Central

Counterparties (CCPs) by automatically allocating securities as collateral while securities remain at the global custodian.

Innovative partnerships will enable these buy-side customers to allocate collateral held at global custodians to CCPs such as its Deutsche Börse Group sister company Eurex Clearing via Clearstream's Global Liquidity Hub.

The partnership is scheduled to go live as part of Eurex Clearing's Client Custodian Gateway offering with global custodians in the first half of 2016. The model has already generated great interest among global custodians in the market and we expect the partnership to be extended to other central counterparties in future.



## Access to the Global Liquidity Hub via the Murex MX3 application

The software company Murex has enhanced its software application to provide users with access to Clearstream's triparty repo services under the Global Liquidity Hub. Clearstream customers can leverage the Clearstream connectivity module of the Murex application to manage their entire triparty repo transaction lifecycle with SWIFT messages.

The application will translate the trade information customers enter in the interface into SWIFT messages which will then be automatically transferred to Clearstream.

In addition, this application enables customers to keep track of the initiation, allocation, substitution and reporting of their triparty repo transaction. The Murex application essentially offers customers an additional point of access to the Global Liquidity Hub.

## Liquidity Hub GO: latest developments

Liquidity Hub GO (Global Outsourcing) enables market infrastructures around the world to deploy the Global Liquidity Hub in a white-labelled manner for their customers.

All initial subscribers to the service – the central security depositories ASX (Australia), Cetip (Brazil), Iberclear (Spain) and Strate (South Africa) – have now completed the implementation of Liquidity Hub GO. They are currently upgrading their customer connectivity solution.

When their domestic collateral services will be extended to provide cross-border collateral mobilisation in real time, The Liquidity Alliance members will have streamlined access to T2S via their Eurozone peers Iberclear and Clearstream's CSDs in Germany and Luxembourg (LuxCSD) and will

benefit from linking to the large and harmonised collateral pool T2S will create.

Market structures intending to leverage Liquidity Hub GO will have the possibility of joining The Liquidity Alliance, an association of market infrastructures from around the world with a common approach to the challenge of how to source the right collateral. Verdipapirsentralen ASA (VPS), the Norwegian CSD, SGX (Singapore) and CDS (Canada) have already declared their intention of using Liquidity Hub GO and joining The Liquidity Alliance.

Once implemented, their customers will have access to Clearstream's collateral management engine without actually having to move their assets to Clearstream – a feature designed to help retain collateral within the domestic market in line with regulatory requirements.

## Strategic securities lending via a central counterparty



Clearstream acts as a triparty collateral agent for the non-cash collateralisation of securities loans cleared by Eurex Clearing's central counterparty (CCP).

In late 2015, Clearstream will also enable the use of the Eurex Clearing lending CCP for counterparty loans via a new agency lending service which will be part of the Global Liquidity Hub's strategic securities lending offering.

This new agency lending service through the CCP will also be accessible to borrowers via the Eurex SecLend market of the Eurex Repo trading platform. It will be particularly useful for large-volume borrowers aiming to reduce the capital impact of their borrowing activity.

## Staff news



### Tim Brackrock

Tim joined GSF in Frankfurt in April 2014. His tasks include managing Liquidity Hub GO partners and The Liquidity Alliance. He also supports senior GSF management.

Before joining Clearstream, Tim worked at DBAG Strategic Finance for three years, following his EMBA at Goethe Business School/Duke Fuqua School of Business. Prior to that, he spent ten years in Deutsche Börse Group's international IT sales with a focus on Italy, Spain and France.



### James Cherry

James Cherry joined Clearstream as a GSF Sales and Relationship Manager for the UK, Ireland and the Americas in June 2014. Based in London, his focus is primarily on OTC derivative solutions for customers domiciled in the UK, Ireland and the Americas as well as repo, securities lending and collateral management. Prior to this, James spent five years at the Royal Bank of Scotland, working in Securities Finance Collateral Management and for the Flow Rates trading business of the Markets and International Banking Division, as well as two years with Citigroup in Equity Prime Brokerage.



### Christian Rossler

Christian is the Senior Vice President of GSF Sales and Relationship Management for central banks and corporates globally, as well as for CEE and CIS countries.

Prior to taking up this position in October 2014, Christian was Head of the GSF Sales and Relationship Management Asia Pacific team in Singapore. In September 2013, Christian returned to the company headquarters in Luxembourg after having spent three years in Singapore.



### Lotfi Bettahar

In November 2014, Lotfi took up his new position in Singapore as Senior Vice President and Head of Global Securities Financing and Relationship Management for Asia Pacific and the Middle East. He has extensive experience in collateral management and securities lending. He will focus on selling the Global Liquidity Hub services and will coordinate and develop Clearstream's central bank offering in the abovementioned regions.



### Xavier Godon

Xavier joined the GSF Continental Europe sales team as a Relationship Support Officer for French speaking markets in July 2014. Prior to this, he spent six months at the Regis-TR administrative helpdesk. Xavier holds a MSc in Banking and Monetary Macroeconomics from the University Assas-Panthéon in Paris.



### Nicola Sansevieri

Nicola joined the GSF team in November after a six month internship with Clearstream's London relationship managers, where he assisted in the onboarding of both REGIS-TR and Clearstream clients. In his new role, Nicola will be supporting the London sales team for collateral management, triparty repo and securities lending products. He holds an MSc in Finance from Birkbeck College, University of London.



### Nicole Sattinger

Nicole Sattinger joined Clearstream's Global Securities Financing division in June 2014. She is responsible for the strategic development and relationship management for customers in Germany and Austria. She previously worked for Eurex Repo where she spent two years in Sales and Relationship Management for Austria and francophone Switzerland on CCP-related repo solutions. Nicole started her career at Deutsche Bank where she gained experience in corporate investment banking.



### Andrew Tan

Andrew joined GSF Sales in Singapore to cover South-East Asia in September 2014. Before joining Clearstream, he was a salesperson for post listing corporate solutions with the Singapore Exchange. His previous professional experience also includes various positions in fixed income, exchange business and brokerage trading for emerging markets in Asia with Bloomberg and Sungard.



### Otto Vaisanen

Otto has been the Head of GSF Sales and Relationship for Continental Europe since December 2014. He promotes the full range of products of Clearstream's Global Liquidity Hub for all customer segments (repo, securities lending and collateral management). Prior to that, he worked as a GSF sales manager for six years during which he was responsible for the French, Spanish, Belgian, Luxembourgish, Finnish, Turkish and Swiss markets.

## Top marks in industry surveys

Clearstream's Global Liquidity Hub once again achieved outstanding results in industry surveys in 2014. It was awarded five out of six Rolls of Honour in the triparty securities financing survey 2014 by the Global Custodian magazine, making it the most highly rated triparty service provider. This is the 14<sup>th</sup> consecutive year that Clearstream's Global Liquidity Hub has done so well in the survey.

In the Global Investor /ISF triparty survey 2014, Clearstream was rated the best triparty service provider in all regions in which we operate – Europe, Asia, the Middle East and Africa. Clearstream was especially praised for its excellent triparty securities lending services.

## CCPs serviced in triparty for margining

Clearing members can use the Global Liquidity Hub's automatic allocation, optimisation and substitution services for their exposures with the following CCPs:

- BME Clear
- CME Clearing Europe
- Dubai Clearing Corporation
- Eurex Clearing
- EuroCCP (interoperability)
- ICE Clear Europe
- LCH.Clearnet Ltd
- Oslo Clearing
- X-Clear

## Contact information

For further information on our Global Liquidity Hub services, please contact our dedicated GSF team.

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