

Clearstream

Liquidity Hub News

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Clearstream's standardised baskets

Clearstream customers benefit from standardised baskets as a set of collateral eligibility profiles to cover a range of asset classes and manage a clearly defined spectrum of risk. These baskets are used as benchmark risk profiles in activities with selected central banks, central counterparties or any other counterparty in the market.

In addition, customers can now choose between standardised liquidity baskets to meet their LCR requirements as outlined in the text to the right:

- Level 1 (sovereign, supranational and agency issuers)
- Level 2A (sovereign, supranational, agency and corporate issuers)
- Level 2B (corporate, covered banking, equities, structured securities).

These baskets can be adjusted to customers' individual business needs and were developed in close consultation with Clearstream's Collateral Management User Advisory Group.

Collateral baskets support regulatory compliance

Clearstream customers can benefit from a full suite of new standardised collateral baskets of high-quality liquid assets (HQLA) which will enable them to automatically source collateral for triparty repos in full compliance with the liquidity coverage ratio (LCR) under the Basel III/CRD IV regulations.

The Liquidity Coverage Ratio (LCR) under Basel III/CRD IV requires banks to maintain a buffer of High Quality Liquid Assets (HQLA) that can be rapidly transformed into cash to ensure short-term liquidity and limit risk.

Assets are categorised by their level of liquidity and only the most liquid ones are LCR-eligible. The LCR for each institution has to be large enough to enable the bank to cope with at least a period of one month of financial stress including liquidity shortfalls and high net cash outflows.

HQLA collateral baskets

More and more customers are looking for assistance in understanding which assets are liquid and LCR-eligible to use this information to support trading strategies and refinancing objectives and meet their regulatory obligations.

Clearstream customers can now choose between multiple HQLA collateral baskets with different eligibility criteria which will make it easier to ensure that their triparty repo collateral is in compliance with the LCR requirements under Basel III/CRD IV.

The collateral baskets represent the most common interpretation of the Basel III/CRD IV definition of HQLA. They are fully customisable which means that the baskets can be used to source collateral in accordance with customers' individual definition of HQLA as well as business and risk requirements. These baskets can also be appended with additional criteria should an institution or jurisdiction take a different view of specific liquidity coverage guidelines.

Automated sourcing of collateral

This sourcing of collateral is done in a fully automated manner as the pre-defined baskets make the manual, ex-post assignment of received collateral to specific liquidity classes redundant, thereby increasing back-office efficiency and reducing costs.

The collateral baskets are set to cover Euro-denominated securities issued in the Eurozone and there are plans to include securities from other markets in the future as guidelines are harmonised across other parts of the world.

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