

Clearstream Spotlight

Global Liquidity Hub upgrades in view of T2S

Clearstream will offer harmonised collateral management and securities lending services for customers of the ICSD and the German CSD once Clearstream joins T2S in 2016. Customers will be able to pool their assets, including equity, at the CSD in Germany as their gateway to T2S for use in the ICSD's securities lending and collateral management services. For example, it will be possible to conduct triparty repos with commercial and central bank money with CSD assets.

Full triparty interoperability

There will be full triparty interoperability between Clearstream's CSD and ICSD customers which will result in improved liquidity management while optimising collateral use across their entire European asset pool.

At the moment, it is not possible to use CSD assets to collateralise triparty repos, the assets have to be transferred to the CSD manually and it is only possible to perform triparty repos in commercial bank money. However, with T2S, it will also be possible to conduct triparty repos in central bank money using assets under custody at Clearstream's CSD in Germany.

It will also be possible to use the assets pooled at the CSD for triparty CCP margining, CCP-cleared repos and the collateralisation of OTC derivatives amongst other things. The aim is to have full

triparty interoperability across the Clearstream CSD and ICSD which will be performed by a common collateral management system.

Harmonised securities lending services

Whereas Clearstream's securities lending products are currently based on separate CSD and ICSD applications, the services will be harmonised in the run-up to T2S. This means that all fails lending and strategic securities lending services will be offered to both CSD and ICSD customers.

The abovementioned 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 will offer both fails lending and strategic securities lending services for T2S. This will give borrowers the same high level of service on T2S that is currently offered by Clearstream's ICSD and give lenders similar opportunities regardless of their settlement and custody location.

In summary, 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 customer's assets by automatically allocating them for collateral management and securities lending purposes.

New opportunities for equity

Equities are increasingly used for collateralisation and secured funding. Customers can avail of Clearstream's triparty services to improve their day-to-day liquidity management. While all services are already available for both fixed income and equity, optimal financing opportunities for equity are set to increase with T2S.

The Global Liquidity Hub's services were traditionally geared towards fixed income held in the ICSD. However, the Liquidity Hub Connect collateral management service for custodians has increased the amount of equity in the Global Liquidity Hub even if it remains under local custody and is fragmented across numerous accounts.

With T2S, it will be even easier to pool equity held in all participating markets with Clearstream's CSDs. Equity held in the CSDs can then be automatically mobilised for triparty use in Clearstream's collateral management service or for securities financing.



More information

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