

# Clearstream

## Liquidity Hub News

### New connectivity for collateral management



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#### New concentration limits

- Total limit per group of equity indices or standardised baskets or industry sectors and/or issuer countries;
- Limit on market capitalisation per index group;
- Limit on outstanding issue size and index group;
- Limit on average traded volume (ATV) per equity index group;
- Limit on outstanding issue amount per credit rating or per country group;
- Security or issuer limit per credit rating group;
- Security or issuer limit per issuer country group (in line with the new ESMA regulation for UCITS);
- Total limit per issuer country group and credit rating group or per maturity bracket;
- Total limit per group of security denomination currencies and credit ratings or issuer countries.

Customers can now benefit from enhanced collateral management functions on Clearstream's Global Liquidity Hub via the web-based (U2A, user to application) connectivity solution Xact. New real-time and extended trade simulation tools enable customers to assess their trading capacity and a greater choice of concentration limits enhances customers' risk management possibilities.

#### Simulation tools

In addition to the already existing collateral management module on Xact, customers can now also benefit from an 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 import external portfolios (list of ISINs and quantity) to their account, giving them an overview of all assets. The portfolio can be used either in combination with the existing assets or as a full replacement.

Customers can choose between a real-time simulation for quick checks of same-day exposures and an extended simulation which takes account of optimisation as well as additional parameters on the trading and collateral management side. For example, customers can test whether their proposed collateral would cover existing shortfalls such as under-collateralised exposures, margin calls and short positions.

#### Concentration limits

19 new concentration limits provide customers with additional risk

management tools and more flexibility to fine-tune collateral profiles. All limits can be expressed in amounts as well as percentage values. Amounts are either set as quantities (for limits on outstanding amounts or average traded volumes) or as currency values (for all other available concentration limits). When both amounts and percentage limits are applied to the same criteria under the same contract, the most conservative limit will apply.

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.

These new functionalities on Xact are part of Clearstream's preparations for offering customers streamlined access to T2S. 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.

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