

Clearstream Liquidity Hub News

6 2013

Money market funds as collateral



By José Manoka Mussala,
Product Management GSF, New York

Other funds in the Global Liquidity Hub

Clearstream's fund processing platform Vestima provides a full suite of global fund solutions ranging from order routing, DVP settlement and custody to collateral management. The latter is done via a connection to the Global Liquidity Hub which allows customers to benefit from a streamlined, automated process regardless of the markets and fund types involved.

In addition to money market funds, classic investment funds, exchange-traded funds and publicly traded investment funds are eligible as collateral on the Global Liquidity Hub. Vestima provides a single point of access to over 120,000 funds from 34 jurisdictions and covers a broad fund universe which includes mutual funds, exchange-traded funds (ETFs) and hedge funds.

A new Clearstream triparty service enables customers to seamlessly transform cash into money market funds for use as collateral.

The Global Liquidity Hub accepts many asset classes as collateral, including fund shares and cash. This new Clearstream service now gives customers using cash as collateral the opportunity of transforming the cash into money market funds prior to the collateralisation process, thereby effectively using the fund shares as collateral.

Lower risk

This collateral transformation provides collateral gives the opportunity of receiving a more secure return on their cash. When cash is used as collateral, the interest payments may become a challenge: the collateral receiver is required to re-invest the cash he receives in a profitable way to be able to remunerate the collateral giver. This incurs a certain risk as the profits are not guaranteed.

The transformation of cash into money market funds reduces risk for both the collateral givers and receivers: the givers gain the dividends of the money market fund of their choice while the receivers do not have to worry about how to re-invest the cash.

No extra work

Using money market funds instead of cash for collateral is part of Clearstream's wider services which enable the use of funds as collateral in the Global Liquidity Hub. All customers have to do is decide which eligible fund they would like to subscribe to and Clearstream will handle the rest. Whereas customers needed to use multiple providers in the past, they can now outsource the entire fund processing to Clearstream, from subscription and custody to its allocation as collateral.

This makes this service particularly attractive to customers who are unfamiliar with investment fund operations as it effectively enables them to benefit from a whole new asset class without needing expertise in funds processing.

For more information about GSF services, please contact the [Sales and Relationship Team](#) or call one of our offices:

[Luxembourg](#) +352-243-36868
[London](#) +44-(0)20-7862-7142
[Frankfurt](#) +49-(0)69-211-12757
[Singapore](#) +65-6597-1622

If you would prefer not to be on the mailing list for Liquidity Hub News, please let your relationship manager know.