

Clearstream Spotlight

A collateral management solution for Singapore

SGX has the intention to use Clearstream's Liquidity Hub GO service, thereby laying the groundwork for a world-class collateral management infrastructure for the Singapore market – and possibly a regional collateral management solution for Asia.

The Singapore Exchange (SGX) has announced its intention of subscribing to Clearstream's Liquidity Hub GO ("Global Outsourcing") service. This unique service enables market infrastructures around the world to deploy Clearstream's award-winning Global Liquidity Hub in a white-labelled manner for their customers. By the end of 2013, this Clearstream technology will be up and running in Brazil, Australia, South Africa and Spain – with Canada and Singapore next in line.

The unique key feature of Liquidity Hub GO is that SGX customers in Singapore will have access to Clearstream's collateral management engine without actually having to move their assets to Clearstream. This is in line with regulatory requirements that underlying assets may not leave the domestic environment. As a result, the contractual arrangements between SGX and its clients remain as they are – they will simply benefit from Clearstream's collateral management excellence through SGX.

As a key Asian and global financial centre, it is important for Singapore to stay abreast of international

regulatory developments. With a time-to-market of 12 to 18 months once a binding agreement is reached, Liquidity Hub GO provides a quick and cost-efficient way of complying with regulatory demands for an increased collateralisation of trades to make global markets safer. In addition, it will also result in improved overall risk management and security in the respective domestic market.

A participant survey at a Clearstream conference in Singapore in April 2013 showed that collateral management is increasingly becoming a priority in Asia. SGX was seen as a local partner with regional ambitions who is capable of overcoming market fragmentation and of developing a truly pan-Asian collateral management solution.

Singapore will soon benefit from comprehensive collateral management services including allocation, optimisation and substitution. However, before going live, SGX and Clearstream will jointly explore what the market needs and tailor their services accordingly.

Whereas the Liquidity Hub GO service is currently used for covering domestic exposures with domestic collateral, the service can be extended – regulatory authorities permitting – to the international market to meet one of the main aims of Clearstream's Global Liquidity Hub: to create a single, deep pool of liquidity for a growing global customer base.

A global response to the collateral shortage

Clearstream believes in finding global solutions to global problems through smart partnerships. This is why we decided to cooperate with four other market infrastructures – ASX (Australia), Cetip (Brazil), Iberclear (Spain) and Strate (South Africa) – within the framework of the Liquidity Alliance.

The Liquidity Alliance members share a similar approach to the anticipated global shortage of collateral. In addition to leveraging the same collateral management platform (Clearstream's Liquidity Hub), they share their expertise and experience to optimise the worldwide allocation of collateral and avoid fragmentation.

The Alliance encourages greater pan-industry partnership and cooperation through the promotion of expert insight, ideas and research to be shared with industry peers and interested parties through a wide range of activities including conferences and events. The Liquidity Alliance is open to new members from around the world to strengthen their pool of common knowledge.



More information

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