

Clearstream

Liquidity Hub News – KAGplus

Regulatory compliant securities lending for fund managers



By Nicole Sattinger, GSF Sales, Frankfurt

Benefits for lenders and borrowers

Thanks to its special legal framework (see text to the right), Clearstream's KAGplus service enables both lenders governed by German law and borrowers to maximise lending activities in full compliance with recent regulatory requirements. Lenders can benefit from KAGplus for free and have the possibility of determining their counterparties when subscribing.

Borrowers, on the other hand, benefit from more efficient securities lending. Instead of having to earmark separate collateral for each fund, borrowers can pool their collateral at Clearstream in one single collateral account from where it is automatically allocated to sub-fund level. As this results in fewer transactions, borrowers benefit from lower operational costs.

Clearstream's KAGplus service enables ETFs, UCITS and their custodian banks governed by German law to maximise the use of their assets through securities lending in full compliance with new UCITS and ESMA rules. This is possible due to Clearstream's unique status of organised system which has recently been reconfirmed by the German financial regulator BaFin.

Fund managers are currently facing a difficult market environment with low interest rates. While securities lending is a useful tool for increasing their performance, stringent UCITS and ESMA rules restrict these activities in the interest of investor protection.

Compliance with the latest rules

While this might seem complicated, fund managers need not be deterred from securities lending by these new rules. Clearstream's KAGplus securities lending programme for ETFs, UCITS and their custodian banks governed by German law fully complies with the latest regulations. This means that KAGplus customers can rest assured that all their lending activities under the programme conform to the new rules.

A unique legal framework

The KAGplus lending programme has a special legal framework with more standardised and streamlined rules for subscribers which makes Clearstream an 'organised system'. This status was recently reaffirmed by the German regulator BaFin. As Clearstream is the only provider with this status, KAGplus is the only

securities lending service on the market not subject to counterparty concentration limits or collateral segregation requirements.

Full operational outsourcing

Customers can choose between two collateral schedules and securities lending models and select the type and number of counterparties. All securities lending operations are handled by Clearstream as a neutral collateral agent, including matching, trade reconciliation, margining, collateralisation, daily mark-to markets and comprehensive reporting. Customers also benefit from automatic processing of mandatory corporate actions and income payments as well as standardised haircuts.

The service is not only attractive for fund managers looking for support in complying with the latest securities lending regulations but also for customers who have never lent securities before. Regardless of your level of experience with securities lending, KAGplus helps increase the yield of ETFs, UCITS and their custodian banks while ensuring maximum investor protection.

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

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