

Clearstream Liquidity Hub News

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Triparty Repo – Probably the safest money market tool for corporate treasuries



By Carsten Hiller,
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Clearstream's award-winning Triparty Repo Service is a key element of the Global Liquidity and Risk Management Hub product offered within Deutsche Börse Group. With more than 475 counterparties worldwide and over EUR 600 billion under collateral management, this secured money market tool is now becoming increasingly popular with non-financial institutions such as corporate treasuries as well as buy-side investors.

The flexibility of money markets with the security of a repo

Since the outset of the subprime crisis and the collapse of Lehman Brothers, the interbank unsecured money markets have all but dried up as counterparties look for more secure, collateralised solutions as an alternative.

Despite current uncertainty and a greater concern about counterparty risk, it is surprising to see many cash lenders switching traditional money market activity for overnight deposits rather than the safer option of a repo transaction. Perhaps these lenders are unaware that entering the world of repo is easier than it seems.

How to trade in triparty repo

First, you trade with your counterparty in the same way as a traditional money market trade. That means you directly agree terms with your counterparty within your trading limits: negotiating the cash principal to be placed, the rate and the duration.

You will receive collateral as security for your loan which will be held in a segregated account until the monies are repaid.

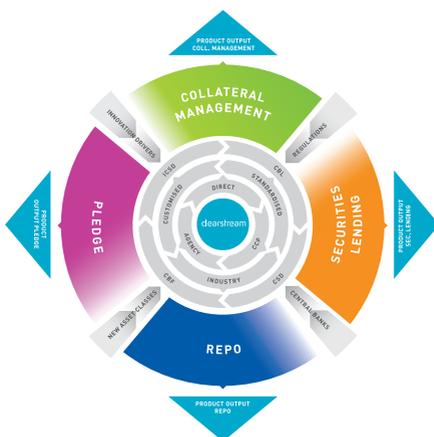
When you and your counterparty notify Clearstream about your trade, we will act as your triparty agent and undertake all the related collateral management work until the trade matures. This includes performing margin calls and substitutions, monitoring corporate actions and providing transparency with daily reporting in various formats.

Leave your back-office administration to us

You can create your own collateral schedule with high sophisticated and granular eligibility criteria (equities, fixed income, ratings, countries, concentration limits, etc.). Or, you can choose from a wide range of standardised baskets which we have intentionally designed to make getting started a simple process.

In recent times, we can see two developing trends:

- More conservative cash providers focusing on safety and high quality collateral
- Less conservative cash providers focusing on a yield pick-up.



Maximum operational efficiency



If you continue taking care of your cash placement, we will take care of the management of the collateral held to secure this.

Why do corporate treasurers use Clearstream's Triparty Repo Service?

Launched by Clearstream in Europe in 1992, our Triparty Repo Service is secure, sophisticated but simple and transparent to set up. As a flexible money market instrument, it combines the safety of repos with the opportunity of a yield pick-up, while outsourcing all administration to Clearstream.

At Clearstream, we have dedicated multilingual sales specialists who will gladly assist you with any questions that you may have on triparty repo or any of our other services incorporated in our Global Liquidity and Risk Management Hub.

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