

# Clearstream Global Liquidity Hub

Product information

## Key benefits for buy-side customers

### Triparty repo

- Lower risk as investment is secured through collateral
- Safer alternative to other money market products
- Collateral requirements and trade terms are set out in accordance with your business needs
- Reduced backoffice burden by outsourcing all operational tasks to Clearstream

### Collateralising OTC derivatives

- Greater efficiency through comprehensive, end-to-end service including trade registration
- OTC, triparty and central counterparty exposures covered from a single collateral pool.
- EMIR and Dodd Frank compliance
- Better portfolio management as all derivative trades are listed through one system
- Greater transparency at every stage of the trade lifecycle
- Reduced operational costs through collateral optimisation
- Improved access to CCPs through collateral transformation to meet stricter margin requirements

## Clearstream services for buy-side customers

Clearstream's Global Liquidity Hub offers a full suite of services for buy-side companies who are looking for secure investment alternatives in money markets. In addition, Clearstream provides comprehensive services for both cleared and uncleared OTC derivatives, as well as access to the repository services of REGIS-TR.

## Triparty repos

A triparty repo is a secured money market instrument which is fully integrated into Clearstream's award-winning Global Liquidity Hub. Triparty repos are an excellent cash investment tool for buy-side customers such as corporates, asset managers and insurance companies looking to invest their cash against securities as collateral as a safe alternative to unsecured cash placements.

We support buy-side customers in choosing their counterparties and

in determining the type of securities accepted as collateral. Triparty repos became increasingly popular with the buy-side after the financial crisis, when unsecured money deposits no longer seemed such a safe option as concern over counterparty risk grew. Triparty repos are one of the simplest forms of secured investments, in essence they are simply a bank deposit backed by assets which are independently held and managed by a neutral triparty agent and custodian.

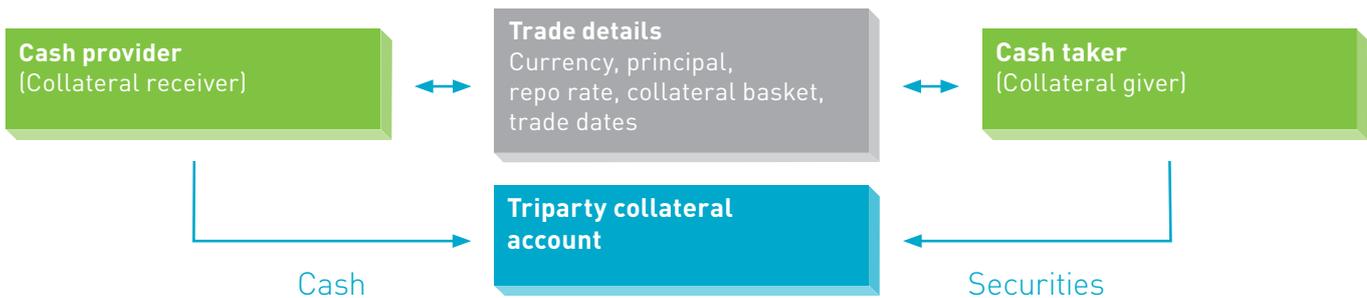


## How to trade in triparty repo

Buyside customers can easily and quickly get started in triparty repo. First, the buyside customer trades bilaterally with the counterparty in the same way as a traditional money market trade. That means they directly agree terms with the counterparty within their trading limits: negotiating

the cash principal to be placed, the rate and the duration. The buyside customer will receive collateral as a security for the loan which will be held in a segregated account until the monies are repaid. When the customer and their counterparty notify Clearstream as the triparty agent

about the trade, Clearstream will perform the related cash and securities settlement and collateral management until the trade matures. This includes performing margin calls and substitutions, monitoring corporate actions and providing transparency with real-time reporting.



## Lower risk through collateral

By investing cash in a triparty repo, buyside investors receive securities as collateral. They will own that collateral, held in a triparty repo collateral account in their name in Clearstream's

settlement and custody platforms, for the duration of the trade. If the counterparty defaults, the investor can sell this collateral to recoup losses. In addition, collateral can

be re-used to cover other exposures such as derivative liabilities with clearers during the life of the repo.

## Standardised collateral baskets

Buyside treasurers who are unfamiliar with what kind of securities they should accept can choose from a wide range of standardised collateral baskets that make it easy to get started in triparty

repo. Each basket contains a specific set of collateral guidelines to cater for different risk profiles and is quoted on a daily basis by various banks on Bloomberg and Reuters. For example,

customers can choose between sovereign, global emerging market, eurozone covered and global corporate bond baskets as well as European and global equity baskets.

## Streamlined legal requirements

A triparty collateral management service agreement mandates Clearstream to perform all the necessary back-office administration for the buyside customer, including the collection, valuation and management of securities.

In addition, a buyside customer signs a master repurchase agreement with their trading counterparty, which sets out the rules and duties of the various parties under a repo transaction. As an alternative to signing many bilateral agreements with

different counterparties, Clearstream has streamlined this sometimes arduous process with a new legal master agreement for triparty repo transactions called the Clearstream Repurchase Conditions (CRC).

This new agreement allows market participants to sign just one contract for multiple counterparties. In other words, the CRCs only need to be signed once to give buyside customers access to a wide range of counterparties that have also signed the same agreement. As a result, buyside customers who

were previously deterred from entering the repo market due to the lengthy contract negotiation process are now more likely to consider triparty repos.

Triparty repos are attractive for buyside treasurers who want to diversify their counterparties or who have reached their unsecured limits at the banks they trade with. Triparty repos give them a greater number of investment opportunities and enable them to diversify across a more secure range of products.

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## Triparty repo on trading platforms

Clearstream has a partnership with 360T, a multi-bank, multi-asset platform based in Germany which enables 360T customers to trade triparty repos with a range of banks on the platform. Once the trade between the bank and the buy-side customer

has been agreed on 360T, it is straight-through processed into Clearstream's Global Liquidity Hub where the exchange of cash against securities is triggered. All the buy-side treasurer has to do is execute the transaction on 360T and wire the funds to Clearstream for

clearing. Triparty repo trades can also be conducted and straight-through processed to Clearstream through Bloomberg's Professional service.

## GC Pooling Select

As an easy way to get started in triparty repo, buy-side customers can also join the Eurex Repo GC Pooling community, where they will benefit from a wide range of standardised collateral baskets. The GC Pooling Select service

provides buy-side customers with a highly secure environment for lending cash to banks via Eurex Clearing as a central counterparty. The service offers the buy-side consolidated triparty services by Eurex Repo, Eurex Clearing

and Clearstream which cover the full cycle from trading and clearing to collateral management from a single point of access.

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## Collateralising derivatives

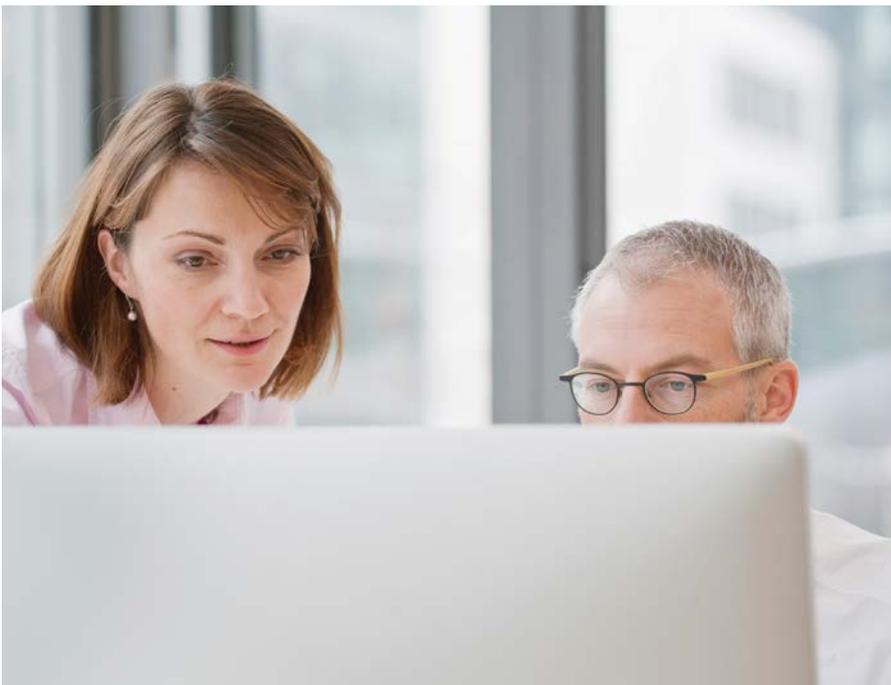
Derivatives are an attractive tool for buy-side customers to reduce their exposure to fluctuating exchange rates or prices of commodities. However, buy-side treasurers are also under increased regulatory pressure to collateralise and clear these derivative trades. In addition to the Global Liquidity Hub triparty services for cleared derivatives, buy-side customers

can benefit from OTC Collateral - bilateral collateral management for uncleared OTC derivatives. This service frees up backoffice resources, with the Global Liquidity Hub performing operational tasks such as margin call processing, dispute resolution, portfolio reconciliation as well as the setup and maintenance of risk parameters.

### OTC Collateral

While the bulk of derivative trades will shift to CCPs, some will inevitably remain uncleared. Market participants will therefore have to manage cleared and uncleared OTC derivatives in parallel. OTC Collateral offers the buy-side bilateral collateral management services for the entire lifecycle of both streams from a single point of access.

OTC Collateral covers all aspects of bilateral collateral management from CSA review and administration, mark-to-market, margining, dispute management and portfolio reconciliation to payment/settlement follow-up and reporting. The collateral received from bilateral transactions under the OTC Collateral service can be readily reused within the triparty environment of the Global Liquidity Hub, a unique feature on the market.



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## TradeCycle service for OTC derivatives

To comply with regulations which require all standard derivatives to be cleared and collateralised, both financial and non-financial customers also have the option of using our joint TradeCycle offering with Commerzbank. TradeCycle covers the

entire lifecycle of cleared and uncleared derivatives. In addition to Clearstream's usual settlement, custody, asset servicing and collateral management services, it also addresses client clearing requirements. Commerzbank also offers Clearstream customers

collateral valuation and transformation services which complement Clearstream's securities financing products. TradeCycle has a modular setup which lets customers tailor its services to their individual business needs.

## Reporting trades with REGIS-TR

The EMIR regulation requires all OTC derivative trades to be reported in a trade registry. To help customers comply with this new law, Clearstream holds a 50% share in REGIS-TR, the European trade repository. REGIS-TR is open to all financial and non-financial institutions and offers a comprehensive service for all types of derivative contracts.

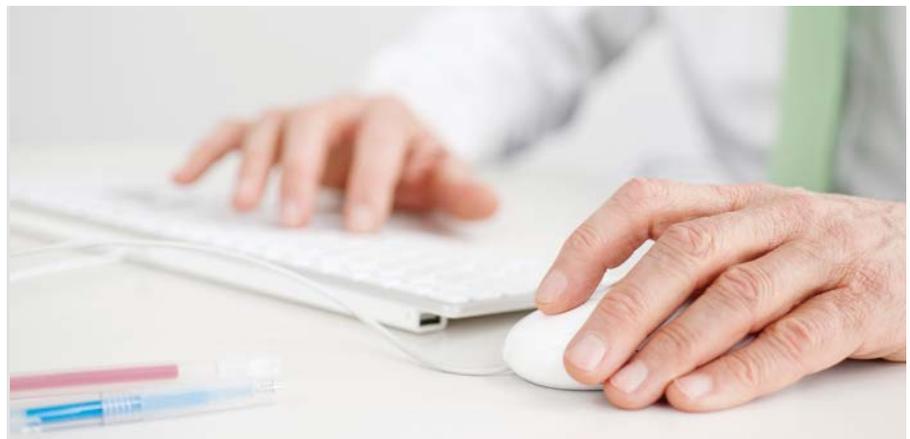
Customers will have the possibility of listing all derivative trades through one system. This will give them an overview of all positions which will make the collateralisation of their portfolio much more efficient. In addition, using REGIS-TR as a central point for all derivative reporting will result in lower connectivity and IT costs as well as time savings.

60% of all REGIS-TR customers are from the buy-side – they appreciate the flexible reporting models and the broad range of connectivity options. Buy-side customers can also benefit from multiple partnerships with providers in the end-to-end value chain which enables customers to tailor the service offering to their individual business needs and to integrate it into their treasury management systems.

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## Outsourcing backoffice tasks to Clearstream

Buy-side treasuries can rely on Clearstream's full post-trade support for all their triparty repo and OTC derivative transactions, be they cleared or uncleared. Corporate customers can benefit from the Global Liquidity Hub to reduce counterparty and operational risk as all administrative and operational tasks are performed by Clearstream as a proven market infrastructure. This enables corporates to optimise their resources and focus on their core business and trading activities.



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## Contact information

For further information on our Global Liquidity Hub services, please contact our dedicated GSF team.

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