

Clearstream

Servicing the full lifecycle of German government debt



Europe's fixed income benchmark

Thanks to its AAA rating, German federal government debt is seen as one of the safest bonds in the world. As a result, it meets the risk management and the collateral criteria of even the most conservative market participants, such as central banks.

For example, German debt instruments are the most important asset supporting the European Central Bank's quantitative easing programme.

Financing instruments include Bubills, Schaetze, Bobls, Bunds and inflation-linked securities. The German government is one of the largest bond issuers in the world. Especially Bunds will account for a large percentage of government debt settled on the pan-European settlement platform TARGET2-Securities (T2S). Choosing the right central securities depository (CSD) is therefore essential for handling this important asset class.

One-stop-shop for German federal government debt

As the primary market infrastructure for all German securities, Clearstream's Issuer CSD in Germany is the closest link between T2S and German debt instruments.

Both Clearstream's international central securities depository (ICSD) and its CSD in Germany play a key role in facilitating Bund auctions as well as income distribution and redemption proceeds. Clearstream is the biggest lender of Bunds in the world

via its automated securities lending and borrowing (ASL) and strategic lending (ASLplus) programmes, making it a major source of Bunds in the market.

Clearstream is the natural depository for this asset class in T2S: it is uniquely positioned to cover the entire lifecycle of German debt from issuance to asset servicing with unique local market knowledge, settlement in T2S and award-winning collateral management services.

Main liquidity provider in T2S

Holders of German federal government debt will benefit from economies of scale and netting opportunities since Clearstream is the main liquidity provider in T2S, accounting for 40 percent of projected settlement volumes.

Thanks to the full triparty interoperability between Clearstream's CSDs and ICSD, our service offering is unique in the market as it can help investors make the most of the collateral management opportunities for German federal government debt under T2S.

Clearstream is the biggest lender of Bunds in the world

The innovative collateral pooling and liquidity management opportunities under the Global Liquidity Hub combined with Clearstream's comprehensive services for German government debt make it the gateway of choice into T2S.



German federal government debt in T2S

T2S is a game changer for the financial industry in Europe; it enables more efficient cross-border settlement in a central bank money environment.

Holders of German federal government debt instruments will benefit from these important efficiency gains for both cash and securities settlement. While cash netting is made possible thanks to a direct cash account at a central bank, all T2S-in securities can be consolidated at one CSD.

The resulting single pool of collateral across Eurozone domestic markets greatly increases the availability and velocity of domestically held fixed income and equities collateral. This attractive environment makes it likely that German federal government debt liquidity will move to T2S.

Investors can make the most of T2S by consolidating their business at a CSD with a sophisticated suite of collateral management services such as Clearstream's Global Liquidity Hub.

Collateral pooling combined with services for German government debt make Clearstream the gateway of choice into T2S

They benefit from integrated liquidity between European debt instruments that can be used as a single collateral pool of Eurozone assets. This is particularly attractive for Bunds as they will account for a large percentage of the government debt traded on T2S. Accessing T2S via a single CSD with one set of technical interfaces and processes will also increase efficiency for investors.

Maximising the benefits of T2S for customers



Clearstream's CSD in Germany is the gateway of choice to T2S for holders of German government debt as it is the issuer CSD for all German securities and has a close link to the Bundesbank.

Holders of German federal government debt will benefit from economies of scale and netting

This embedment in the German economy gives it a high degree of local expertise for servicing German securities. Clearstream is the closest link between T2S and German debt, making it the depository of choice for German federal government debt in T2S.

Clearstream's CSD in Germany will be the largest liquidity provider in T2S, accounting for an estimated 40 percent of total settlement volumes. The resulting economies of scale make it attractive for handling all securities in T2S.

For instance, the high volumes of purchases and sales of German federal government debt can be netted against activities in other instruments. Similarly, the cash flow from income payments and redemptions can be used to fund other T2S trading activities.

Covering the full lifecycle of German debt

Clearstream offers a unique, comprehensive suite of services for German federal government debt, which covers the entire securities lifecycle from issuance to collateral management. Customers will benefit from the largest integrated liquidity pool in T2S. This will provide investors with a single point of access to all their German debt held in Clearstream's CSDs and the ICSDs.

Customers of Clearstream's CSD in Germany benefit from straight-through processing from all relevant Deutsche Börse Group

Unique local market knowledge, settlement in T2S and award-winning collateral management services

trading platforms such as Eurex. This seamless processing is very attractive for Deutsche Börse Group customers. They can benefit from the fact that the securities are already in Clearstream to meet all their asset servicing and collateral management needs.



Unique collateral pooling possibilities



T2S enables a more efficient use of German federal government debt as collateral, provided investors choose an issuer CSD with sophisticated collateral management services. Clearstream's Global Liquidity Hub is the only offering in the market that can help investors reap the collateral management benefits of T2S thanks to its unique collateral pooling opportunities.

Improved liquidity management and collateral optimisation thanks to full triparty interoperability

Customers can pool their assets, including German federal government debt, at Clearstream's CSD in Germany as their gateway to T2S, while continuing to benefit from the ICSD's securities lending and collateral management services.

There will be full triparty interoperability between Clearstream's ICSD and its CSDs in Germany and Luxembourg which will result in improved liquidity management while optimising collateral use across the entire European asset pool. For example, it will be possible to use the assets pooled at the CSD for triparty CCP margining, CCP-cleared repos and the collateralisation of OTC derivatives.



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