
Collateral Management

clearstream | DEUTSCHE BÖRSE
GROUP

Partnering to create global solutions
AMEDA 16th Meeting
Kuwait, 28 November 2012



Drivers for new requirements in the collateral management space

- Trust between banks post GFC
- Trust between banks and their customers post GFC
- New regulation leading to higher and more specific collateral demand, e.g.:
 - More centralised clearing
 - More bilateral collateralisation
 - Stricter eligibility criteria
 - Focus on liquidity ratios
- Collateral crunch due to higher risk awareness and public debt crisis

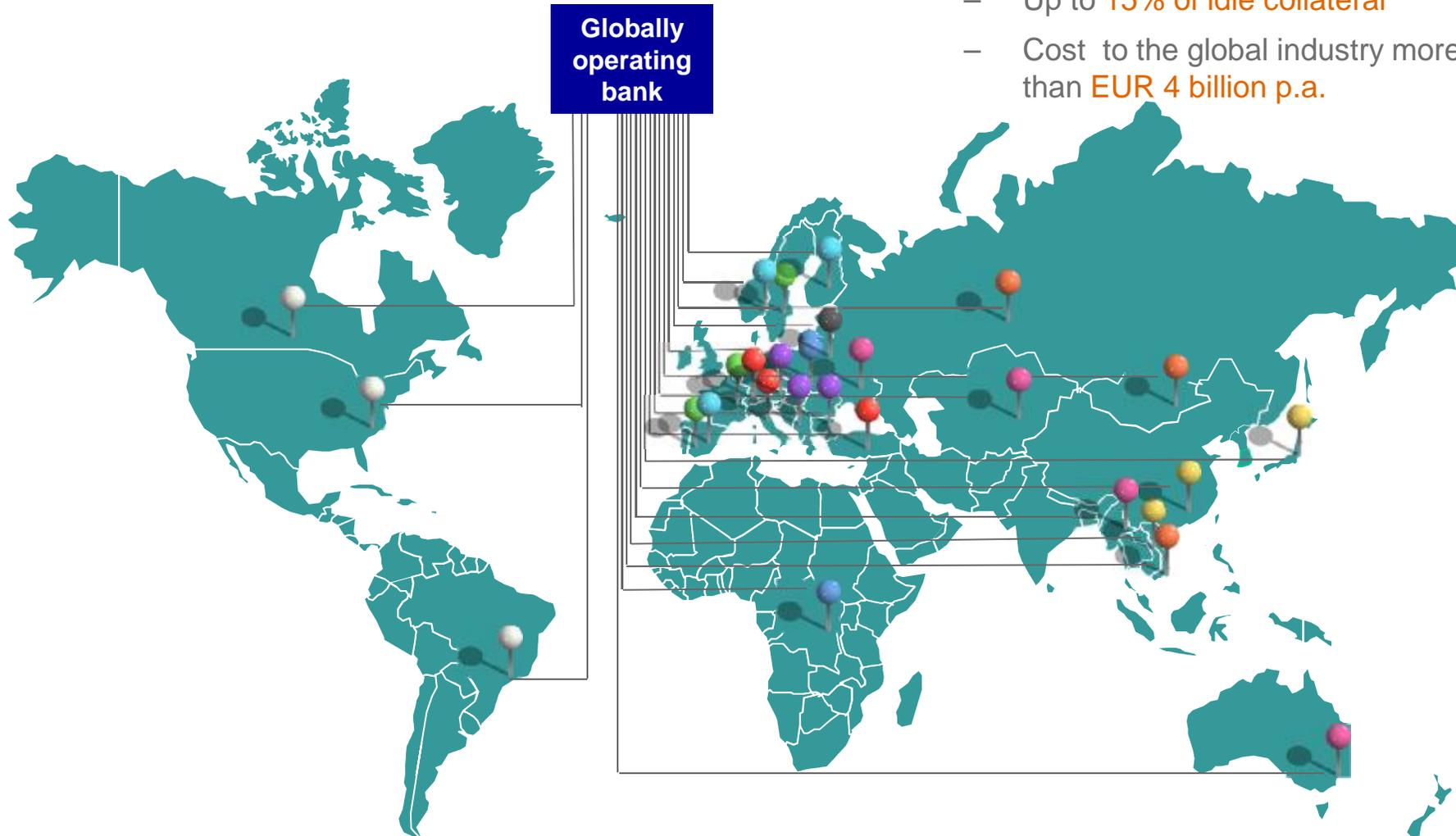
Challenges for market participants

- **Uncertainty** about size and location of available collateral (securities/ cash)
- Risk of **late collateral transfers** – domestic and cross-markets
- **Cost** of collateral transfers – domestic and cross-markets
- **Risk and administrative burden** in the area of domestic and global exposure coverage
- **Lack of collateral optimisation** potential across different exposures types and multiple collateral locations
- **Opportunity cost** related to “buffer collateral” placed across segregated exposure types
- **Significant IT cost** related to improving collateral usage/optimisation

Current set-up: Running a growing global business in a fragmented world

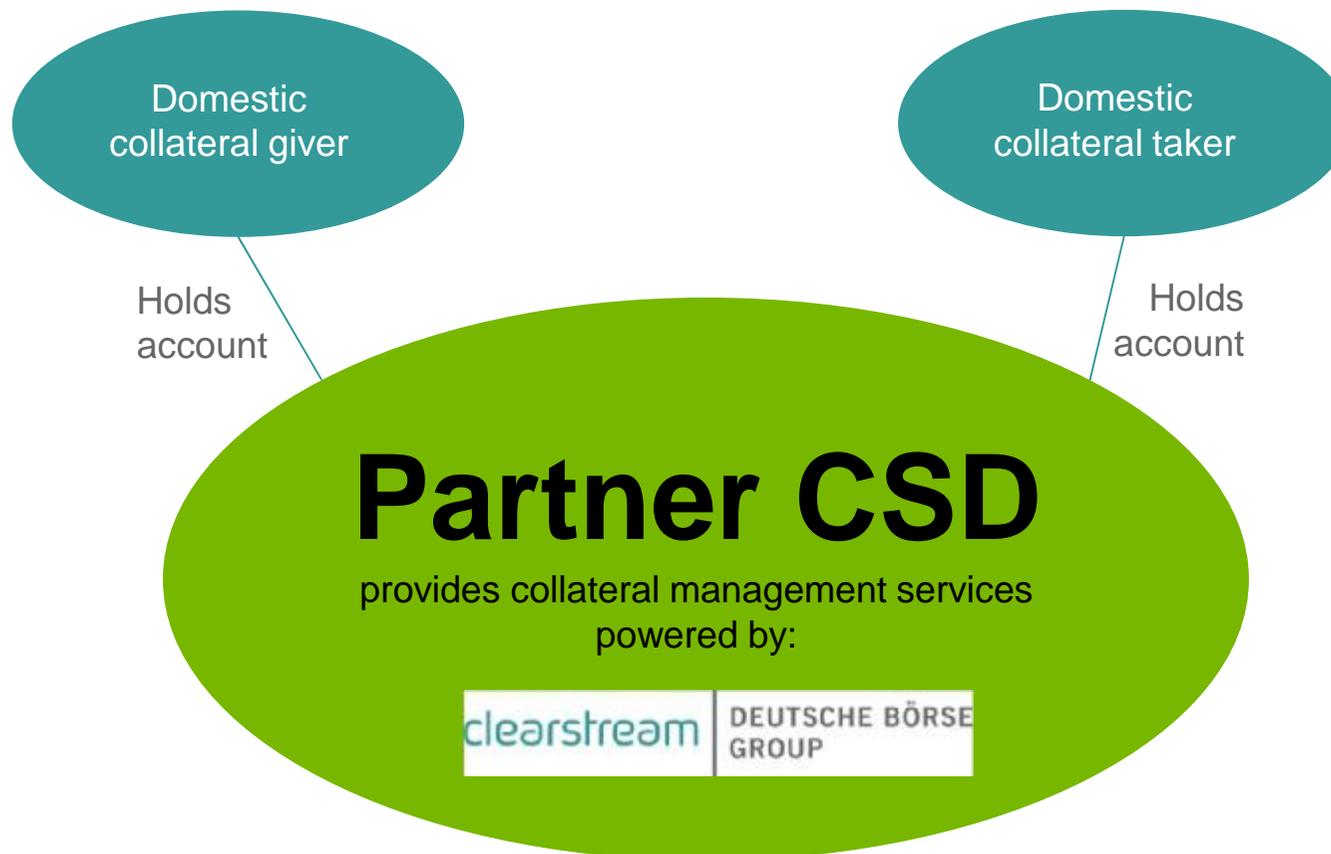
Key findings of Accenture study*:

- Up to **15% of idle collateral**
- Cost to the global industry more than **EUR 4 billion p.a.**



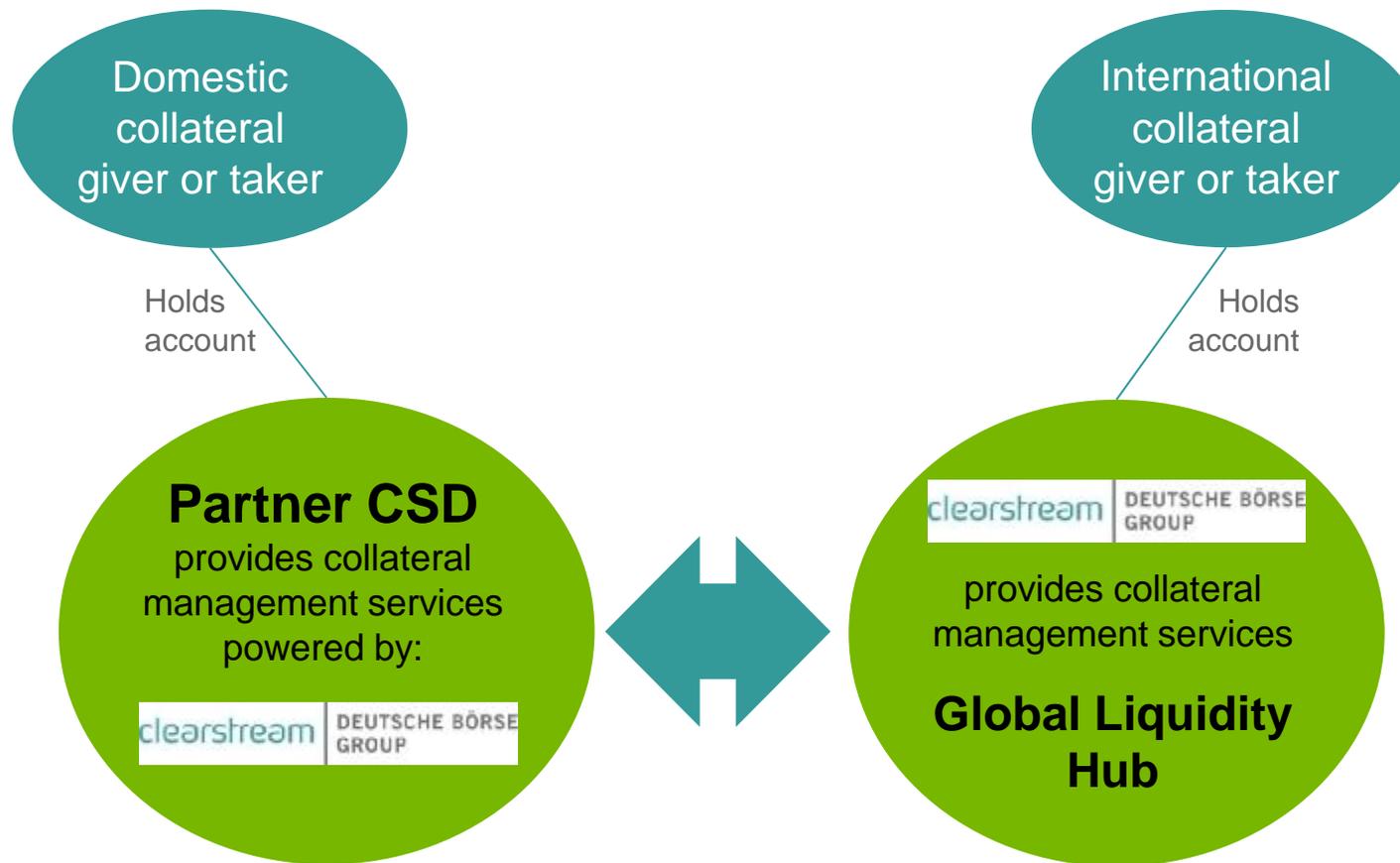
* The complete study is available on the Clearstream website: Global Securities Financing/Collateral management services

Liquidity Hub “GO”: Domestic Collateral Management



- Domestic collateral stays in the CSD
- Domestic exposures are managed domestically
- Clearstream ‘whitelabels’ services to the Partner CSD to enable it to offer collateral management services to its participants

Liquidity Hub “GO” (extended): Cross-border Collateral Management



- Domestic collateral managed in the Partner CSD
- International collateral managed in Clearstream
- Domestic collateral can be used to collateralise international exposures
- International collateral can be used to collateralise domestic exposures

Liquidity Alliance: Partnering to address the industry needs



<u>Share experience</u>	<u>Share information</u>	<u>Address needs</u>	<u>Initiate dialoge</u>
<ul style="list-style-type: none"> • Conceptual solutions • Project methodology • Test approaches • Customer readiness • Best practice • ... 	<ul style="list-style-type: none"> • Regulatory consultation • Market studies • White papers • ... 	<ul style="list-style-type: none"> • Enhance exposure coverage • Broaden collateral sources • Optimise allocation • Increase transparency 	<ul style="list-style-type: none"> • Market participants • User Groups • Regulators • Central Banks • Press • ...

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