

Collateral Management Services

Guidelines for accessing GC Pooling market liquidity

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Guidelines for accessing GC Pooling market liquidity

GC Pooling offers a full end-to-end, automated solution from electronic multicurrency repo trading to clearing and settlement, integrating all advantages of Clearstream's leading collateral management solutions.

Eurex Repo provides a liquid market for anonymous repo trading through standard baskets comprising bonds (that are ECB-eligible) or equities. Eurex Clearing acts as a Central Counterparty (CCP) assuming the risk management, while Clearstream offers straight-through collateral management and settlement services.

This document outlines the participation and setup requirements for customers to use Clearstream's collateral management services to access liquidity in EUR, USD and CHF through GC Pooling.

Participation criteria - Eurex Repo

Counterparties eligible for trading on the Eurex Repo® system have been accorded the status of a credit institution or investment firm, as defined by the Council Directive on MiFID and are accountable to a domestic regulatory authority.

Additional participation requirements include:

- GC Pooling admission form;
- Technical connection to the Eurex Repo trading system;
- Legal framework: Terms and Conditions for Participation and Trading on Eurex Repo GmbH. (For further information, please refer to the Eurex Repo website www.eurexrepo.com.)

Participation criteria - Eurex Clearing

Participants can obtain direct Eurex Clearing membership either as General Clearing Members (GCM) or Direct Clearing Members (DCM). Customers can also participate indirectly in the CCP clearing process as Non-Clearing Members (NCM).

Participation requirements include:

- Connection to the CCP system via leased lines and/or internet connection for all Clearing Members;
- Legal framework: Clearing Conditions of Eurex Clearing AG. (For further information, please refer to the Eurex Clearing website www.eurexclearing.com.)

Setup requirements - Clearstream

Participants must be customers of Clearstream Banking AG (CBF) or Clearstream Banking SA (CBL).

- The requirements for sourcing collateral via CBF are as follows:
 - Main (settlement) account in CASCADE;
 - Dedicated sub-account in CASCADE (enabling collateral segregation for GC Pooling);
 - Access to the online Xemac application;
 - Legal framework: Xemac Special Conditions;
 - An account in Creation (to settle USD and CHF cash).
- The requirements for sourcing collateral via CBL are as follows:
 - Main (settlement) account in Creation;
 - Dedicated cash account for GC Pooling activity and an RTGS account;
 - Two dedicated collateral accounts in Creation, for receiving and delivering collateral in the scope of GC Pooling trades;
 - Legal framework: Collateral Management Service Agreement.

Collateral Management Services

Collateral eligibility and valuation

Euro GC Pooling trades are secured by one of the following baskets¹:

- Bonds:
 - EGCP basket of over 8,000 ECB-eligible sovereign, supranational and fully covered bonds. Eligible markets are: Austria, Belgium, France, Germany, Italy, The Netherlands, Slovenia and Eurobonds.
 - EGCP EXT extended basket of approximately 23,000 ECB-eligible sovereign, fully covered and corporate securities. Eligible markets are: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Slovenia, Spain and Eurobonds.
 - GCP INT MXQ covers around 600 eligible sovereign and supranational bonds. Eligible markets are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom and Eurobonds.
- Equities:
 - GCP Equity basket of the top 50 constituents of the HDAX index, according to average daily turnover.

USD and CHF GC Pooling trades are collateralised by the EGCP, EGCPX and GCP INT MXQ baskets.

Collateral management for GC Pooling

The collateralisation of GCP trades is handled automatically by the CBF and CBL collateral management engines (Xemac® and CmaX, respectively) on the basis of the exposure communicated by Eurex Clearing, either on a gross trade or on a surplus basis, according to whether the participant has opted for netting.

Cash management for GC Pooling

Euro GC Pooling trades are settled in central bank money with the Deutsche Bundesbank in CBF. CBL provides cash settlement for customers that do not have access to CBF infrastructure.

For Collateral Receivers (Givers) trading in USD and CHF, GC Pooling trades resulting in net purchases (sales) of securities will lead to a cash debit (credit) in the customer's dedicated Creation cash account.

Value-added features

Streamlined access to liquidity: A unique product, offering a straight-through, automated process from trading to clearing, collateral management and settlement, optimising access to liquidity.

Collateral reuse: Collateral received via GC Pooling trades under the EGCP eligibility basket can be earmarked in favour of the Deutsche Bundesbank as a means of accessing Eurosystem liquidity. In addition, collateral received in GC Pooling trades can be reused to collateralise further GC Pooling trades in the same basket and currency or can be reused to cover margin obligations with Eurex Clearing.

Efficient pooling: Xemac manages a single collateral pool comprising domestic and international assets. This allows global exposures resulting from GC Pooling trades, obligations towards the Deutsche Bundesbank and Eurex clearing margin requirements to be collateralised centrally, with maximum efficiency.

Further information

Contact

If you are interested in further information about any of our Global Securities Financing solutions, please contact our dedicated GSF team.

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1. For the official eligibility criteria of Eurex Repo, please refer to www.eurexrepo.com.

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