



EUROPEAN REPO COUNCIL

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GROUP



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European organisations aim to boost triparty repo settlement interoperability by 2015

(Frankfurt, Germany) The ICMA European Repo Council has today signed a Memorandum of Understanding with Clearstream, Euroclear and Eurex Clearing, which engages the three post-trade infrastructure providers in a joint project enabling their systems to work together to increase the efficiency of the repo market. The project primarily creates the opportunity for Eurex Clearing to extend the connected settlement locations for its secured funding market GC Pooling with Clearstream Banking to include Euroclear Bank. Pending completion of detailed feasibility studies and market consultation, triparty settlement interoperability is envisaged to be delivered by the end of 2015.

A triparty repo is a transaction for which collateral selection and substitution, valuation, settlement and custody during the life of the repo transaction is outsourced by the two trading parties to a third-party agent. Eurex Clearing is a central counterparty ("CCP"), which defines the eligible securities for repo baskets (e.g. GC Pooling) and clears triparty basket trades directed to it by repo trading venues.

Establishing triparty settlement interoperability with both triparty service providers will improve the movement of collateral between the connected settlement locations in Europe. It will also reduce collateral pool fragmentation, which currently can cause technical fails, while allowing banks to supply liquidity to the real economy through the intervention of the repo markets. The initiative will increase the efficiency of collateral management for repo basket trading throughout Europe and will boost the fluidity of collateral across the Euro zone.

Commenting on behalf of ICMA's European Repo Council, Godfried De Vidts said: "Today's MoU is a big step forward towards building a true single European capital market. No longer will the fragmentation of location of collateral in Europe harm the transmission of liquidity between market participants. When completed, this development will contribute to a safer settlement environment allowing banks to allocate cash to the real economy where most needed."

Stefan Lepp, Member of the Executive Board and Head of Global Securities Financing at Clearstream, said: "Today's agreement marks a major milestone for the further improvement of interoperability between financial market infrastructures. It is sending a strong signal that we are committed to delivering this long-awaited market requirement that will also strengthen our collateral value proposition as part of our Global Liquidity Hub. In order for the industry to fully benefit from triparty interoperability between Clearstream and Euroclear, we must also progress with enhancements to the settlement layer. Clearstream will work closely with Eurex Clearing and Euroclear on improving interoperability both between the two ICSDs and between the ICSDs and Clearstream Banking Frankfurt (the German CSD). The aim is to ensure the secure and seamless settlement of products across ICSDs and CSDs, commercial bank money and central bank money environments, prior to T2S implementation."

Yves Pouillet, Chief Executive Officer of Euroclear Bank, said: "We look forward to discussing with Eurex Clearing and Clearstream how to deliver triparty settlement interoperability. In the challenging environment we face now and in the future, market participants are looking at us - their service providers - to collaborate more and offer innovative solutions to improve operational and settlement efficiencies. They want us to make the movement of vital collateral assets as fluid and as frictionless as possible across all market infrastructures globally. We fully support such a fundamental requirement and have been implementing this through our open collateral infrastructure called the Collateral Highway. This project, appropriately entitled Triparty Settlement Interoperability, is timely indeed."

Thomas Book, CEO of Eurex Clearing, said: "We are pleased to support this very important initiative in times where collateral management and liquidity management become critically important. The agreement between Clearstream Banking and Euroclear to create a triparty settlement interoperability framework and to enable seamless access to the two largest collateral pools in Europe will allow us to enhance and expand GC Pooling based on proven high product standards. This will strengthen the GC Pooling market and support our clearing members in reducing their collateral pool fragmentation, while keeping the high risk management standards of Eurex Clearing. This is an important task."

-ENDS-

Notes for editors

ICMA European Repo Council

ICMA represents financial institutions active in the international capital market worldwide and has members in 50 countries. ICMA's market conventions and standards have been the pillars of the international debt market for almost 50 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market. The ICMA European Repo Council is a special interest group established under the auspices of ICMA to represent the major banks active in Europe's cross-border repo markets.

Clearstream

Clearstream is the post-trade services and global liquidity provider within Deutsche Börse Group. As an international central securities depository (ICSD) headquartered in Luxembourg, Clearstream provides the post-trade infrastructure for the Eurobond market and services for securities from 53 domestic markets worldwide. Clearstream's customers comprise approximately 2,500 financial institutions in more than 110 countries. Its services include the issuance, settlement and custody of securities, as well as investment fund services and global securities financing. With around EUR 11.7 trillion in assets under custody, Clearstream is one of the world's largest settlement and custody firms for domestic and international securities. As a central securities depository (CSD) based in Frankfurt, Clearstream also provides the post-trade infrastructure for the German securities industry. Further information: www.clearstream.com

Euroclear

Euroclear is the world's largest provider of domestic and cross-border settlement and related services for bond, equity, derivatives and fund transactions. The Euroclear group includes Euroclear Bank, based in Brussels, as well as Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland.

In 2012, the Euroclear group settled the equivalent of EUR 542 trillion in securities transactions, representing 159 million domestic and cross-border transactions, and held more than EUR 23 trillion in assets for clients. More than EUR 700 billion of collateral was transported via the Collateral Highway on a daily basis at the end of 2012. Euroclear Bank is rated AA+ by Fitch Ratings and AA by Standard & Poor's. For more information, please visit www.euroclear.com.

Eurex Clearing

Eurex Clearing AG is one of the world's leading clearing houses. It offers fully automated and straight-through post trade services combined with an industry-leading risk management for derivatives, equities, repo and fixed income transactions traded at major international exchanges and trading platforms. The offering comprises flexible trade management functions, advanced risk management services, efficient collateral and delivery management tools. As a central counterparty, its focus is to increase market integrity.

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