

Clearstream / Eurex Clearing

Global Liquidity Hub – Agency Lending via CCP

Product information

Centrally cleared strategic securities lending

Key benefits

Minimises credit and systemic risk

CCP is legal counterparty to loans

Easy access to central clearing

No margin required for Specific Lender License holders

Lower capital requirements for borrowers

CCP-cleared loans subject to lower capital requirements than bilateral loans

Increased yield for lenders

Borrowers willing to pay more for low capital cost

No operational burden

Outsourced loan negotiation, processing and collateral management

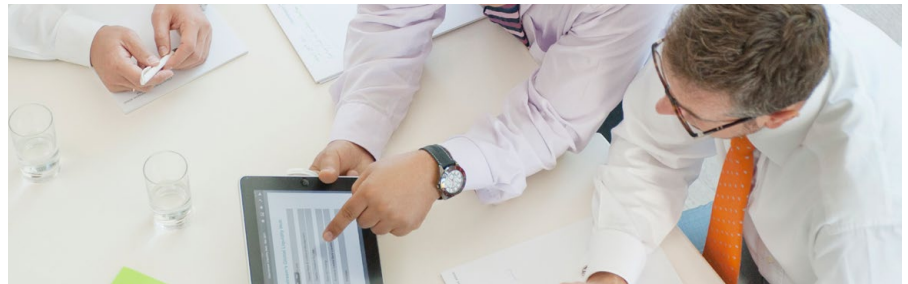
Maximum efficiency

Fully automated service with straight-through processing

Ideal for large volumes

No credit line needed for borrowers

Clearstream’s agency securities lending service via the Eurex Clearing Lending CCP offers customers the best of both worlds: a fully integrated strategic lending service and the safety of centrally cleared trading. The service enables customers to make the most of their securities in a safe and fully integrated environment.



Agency lending via a central counterparty (CCP) such as Eurex Clearing is an attractive means of enhancing yield through strategic lending while minimising credit and systemic risk since the CCP is the legal counterparty to all loans.

Fully integrated securities lending

Clearstream arranges the loans between the borrower and the lender as a neutral agent. Lenders are only in contact with Clearstream, they are not in contact with the borrowers directly. The borrowers must be clearing members of Eurex Clearing.

Clearstream offers these borrowers the securities by distributing them via the SecLend Market (offered by Eurex Repo) to help lenders make the most of their assets. An experienced distribution team negotiates the best possible rates with the borrowers to ensure attractive lending conditions. Once the trade has been agreed upon, Clearstream’s Global Liquidity Hub

performs all necessary administrative and operational steps including account movements, recalls, returns, rerates, income events, corporate actions and reporting.

Secure, cleared trading

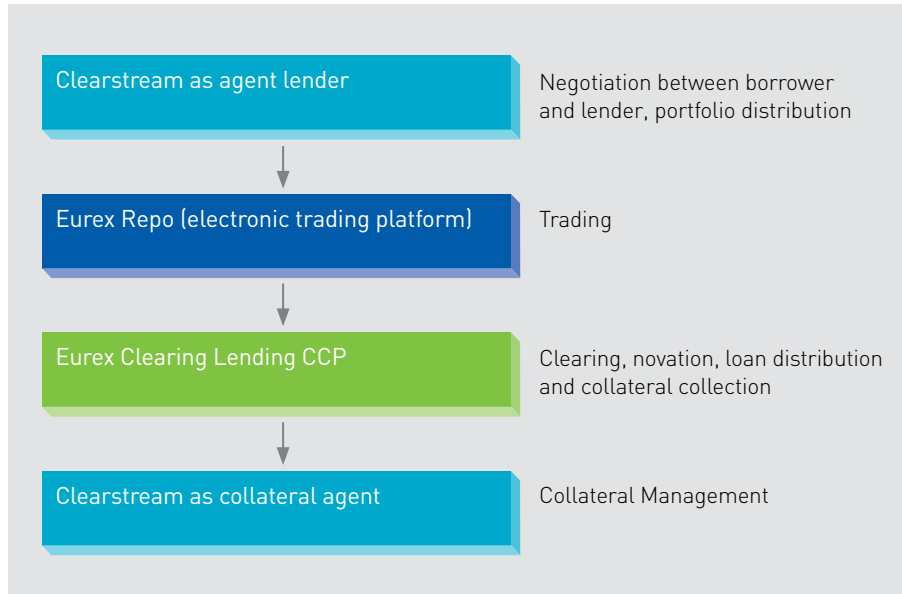
The service offers customers the best of the Deutsche Börse Group: While the bilateral negotiation is managed by Clearstream, the actual trading is done anonymously on the electronic Eurex Repo platform. On the clearing side, the central counterparty Eurex Clearing then novates the trade and performs the exchange of the loan against the collateral (collateral and loan collection and distribution). In doing so, Eurex Clearing is the legal counterparty to the clearing members on the borrowing and the lending side at loan level.

Lenders can benefit from a Specific Lender License from Eurex Clearing which is issued to beneficial owners who are lending-only clearing participants. License holders receive

pledged securities as collateral which does not create a risk position for the CCP. As a result, lenders are neither required to pay margin for the underlying transactions nor to contribute to the CCP's default fund.

Comprehensive collateral management

Clearstream then manages the collateral in its function as a neutral triparty collateral agent via its award-winning Global Liquidity Hub. This means that the assets that were lent out as well as the assets posted as collateral are both marked to market daily under the strict control of Eurex Clearing. This process is highly automated with no cost on the lender side.



Benefits for lenders and borrowers

Both lenders and borrowers enjoy low credit and systemic risk since the CCP is the counterparty. While lenders benefit from increased yield on their securities, the service gives borrowers the advantage of secure lending at low capital cost as regulations are less stringent for centrally cleared than

for bilateral loans. The possibility of term trades also creates new business opportunities. Generally speaking, borrowers can use strategic lending as an additional source of liquidity which opens up possibilities for collateral use.

The service is available for fixed income as loan securities and for both fixed income and equities as collateral, provided they are eligible at Eurex Clearing. The agency lending service with Eurex Clearing is perfectly suited to large lenders who are looking for secure, regulatory compliant strategic lending solutions.

A holistic suite of services

The CCP agency lending service is part of an entire suite of securities lending services offered by Clearstream under the Global Liquidity Hub. In addition to standard agency securities lending

services without a CCP, customers can also benefit from a principal securities lending service in which Clearstream takes on the counterparty risk (ASLplus).

Assets can also be distributed via the automated securities lending service to cover settlement fails in which Clearstream acts as a lender of last resort (ASL).

Contact information

Clearstream

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

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