

Clearstream

Liquidity Hub News

Equity collateral in the Global Liquidity Hub



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Pooling equities with T2S

Customers will be able to use Clearstream's CSDs as their single point of access to TARGET2-Securities (T2S). This will make it even easier for customers to pool equities held in all participating markets at Clearstream's CSDs to optimise the use of their portfolio.

There will be full interoperability between Clearstream's ICSD and the CSDs which will enable customers to benefit from increased financing opportunities for equities.

Equities held with Clearstream's CSDs will be automatically mobilised in the Global Liquidity Hub for triparty collateral management or securities financing services previously only available to ICSD customers.

Upcoming regulations require more collateralisation and are increasing the use of securities as derivative margins. This greater demand makes it more attractive to use multiple types of securities as collateral in repo transactions and other exposures – market participants are increasingly deploying their equities portfolio.

Mandatory central clearing of derivatives plus more stringent capital ratios are increasing the need for high quality securities as collateral (HQLA). At the same time, central bank bond purchasing programmes such as the European Central Bank's PSPP have further reduced the available amount of HQLA in the market.

Growing volumes

In consequence, more and more market participants are including equities in their collateral eligibility schedules in addition to fixed income.

Equities have certain advantages over fixed income: they are transparently priced and can be easily liquidated in the event of a default, either on-exchange or via a broker. In addition, yield on equities can be higher than on fixed income collateral and customers can choose between a wide range of traded terms and currencies.

This shift towards equities is being hastened by the entry of the buy-side into the secured funding market. Clearstream's Repurchase Conditions (CRC), a multilateral master repo agreement, facilitate a triparty setup for the buy-side. Participants only need

to sign the CRC once to trade with all other counterparties using the agreement.

Opportunities for equity in triparty setups

Clearstream's Global Liquidity Hub offers an entire suite of collateral management services for equity, including volatility-based, dynamic, margining and risk management tools such as concentration and industry sector limits.

All services are fully automated in real-time. Triparty collateral receivers accepting assets under a transfer of title structure benefit from unlimited reuse and substitution. Alternatively, customers can pledge the securities, for example for margining purposes. To this end, the Clearstream Pledge Conditions offer a simple legal setup similar to the CRC.

In addition, customers can lend their equities to achieve higher portfolio yields and custody savings in a low risk structure. Borrowers can choose from a full suite of securities lending programmes to either cover short positions or take advantage of collateral upgrade opportunities.

For more information about GSF services, please contact the [Sales and Relationship Team](#) or call one of our offices:

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