



*Post-trade made easy*

**ACSDA General Assembly**  
**Casa Santo Domingo Antigua, Guatemala**  
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# Collateral Highway

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# Agenda

- Context & Background
- Collateral Highway
- Summary



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# Context

- Growing collateral flows as a result of EMIR, Dodd-Frank and Basel III
- How BIG?  
A challenge for the sell-side?  
An opportunity for the buy-side?
- Collateral management will become systemic in nature and require a solid and scalable infrastructure backbone.

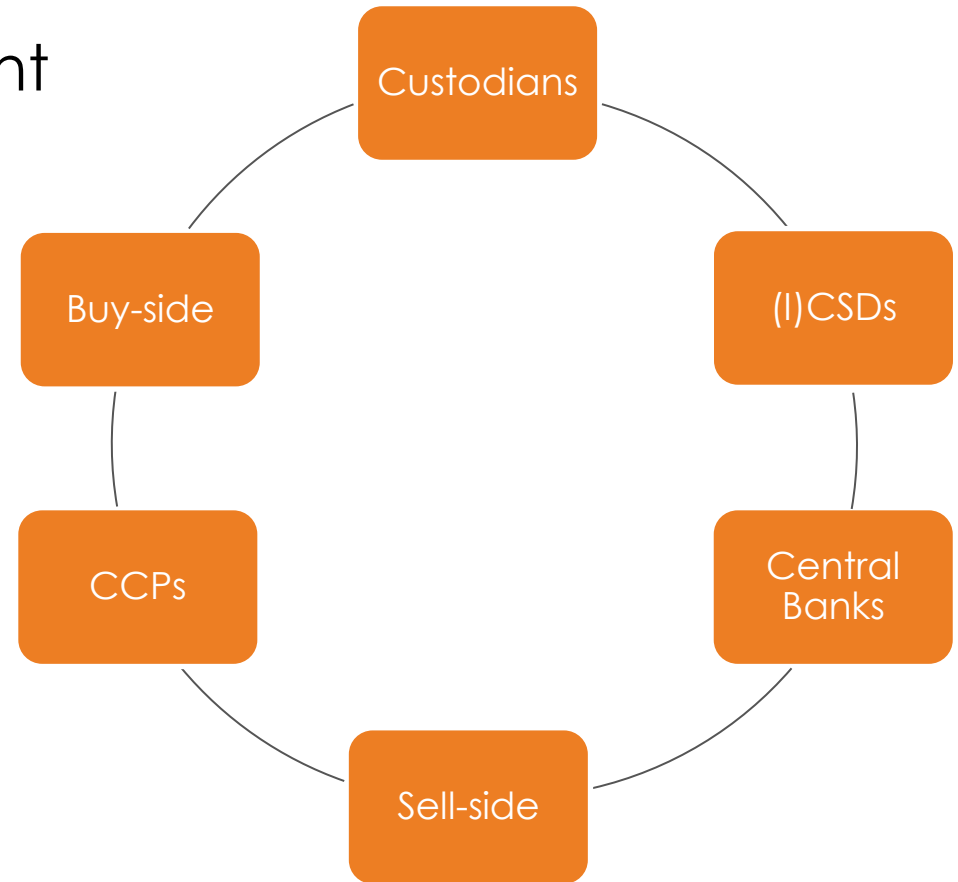




# Context

Industry requires operating models for six key needs

1. Global Inventory Management
2. Rapid mobilisation
3. Optimum allocations
4. Client clearing and margin segregation
5. Collateral upgrades
6. Low cost





# Background

- In 2009 – Euroclear developed technology to provide an **open** global infrastructure
- In 2011 – A full domestic triparty service for France
- June 2012 - **Open** Inventory Sourcing (OIS) launched - interoperates with existing CM services, agent banks and CSDs



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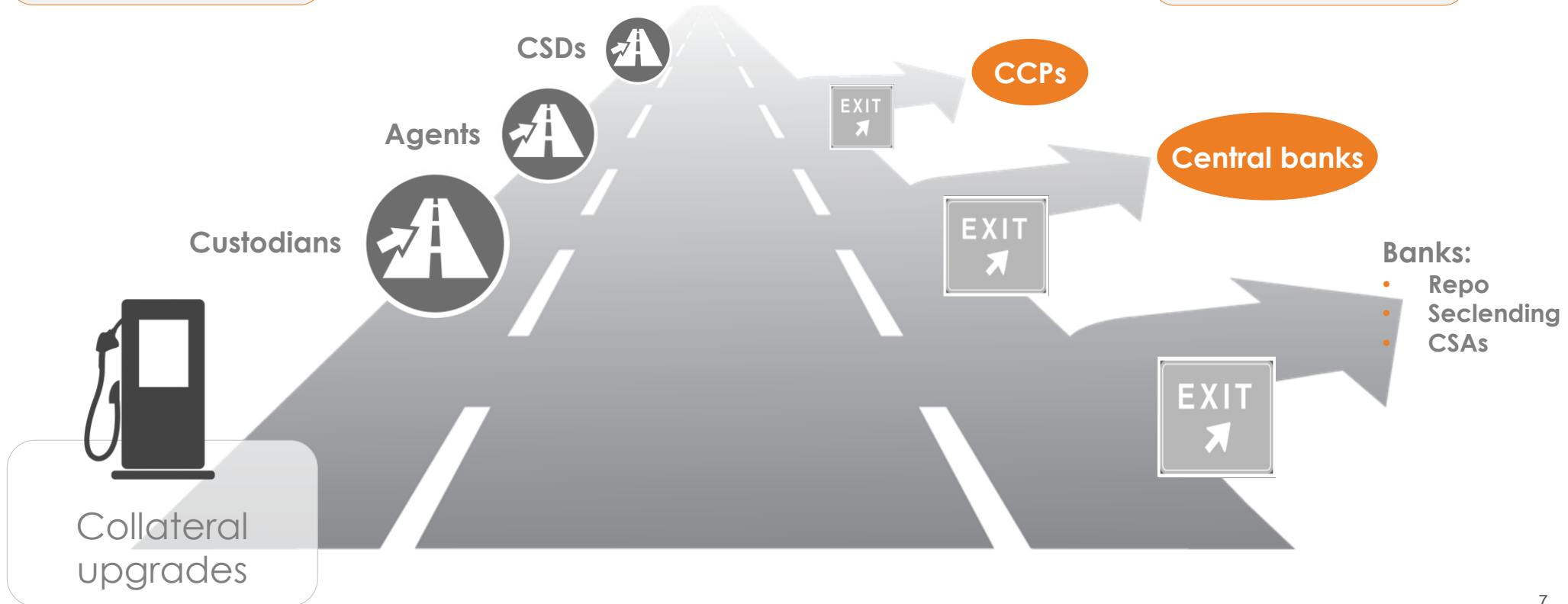


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# The vision: an open, global infrastructure

 Sources of collateral

 Collateral recipients



# Exit points

**More and more collateral receivers are joining the Collateral Highway:**

- 24 out of 93 central banks
- Partnering LCH.Clearnet for EuroGC liquidity in France Q4 2013
- 7 CCPs - 4 being on-boarded, 3 in pipeline
- 240+ liquidity providers and CSA counterparts today, over 25+ for on-boarding in 2013
- Partnering ACM to target new non-bank cash providers



Creating the largest international liquidity pool with a single entry point to all major CCPs and their clearing members





# Entry points

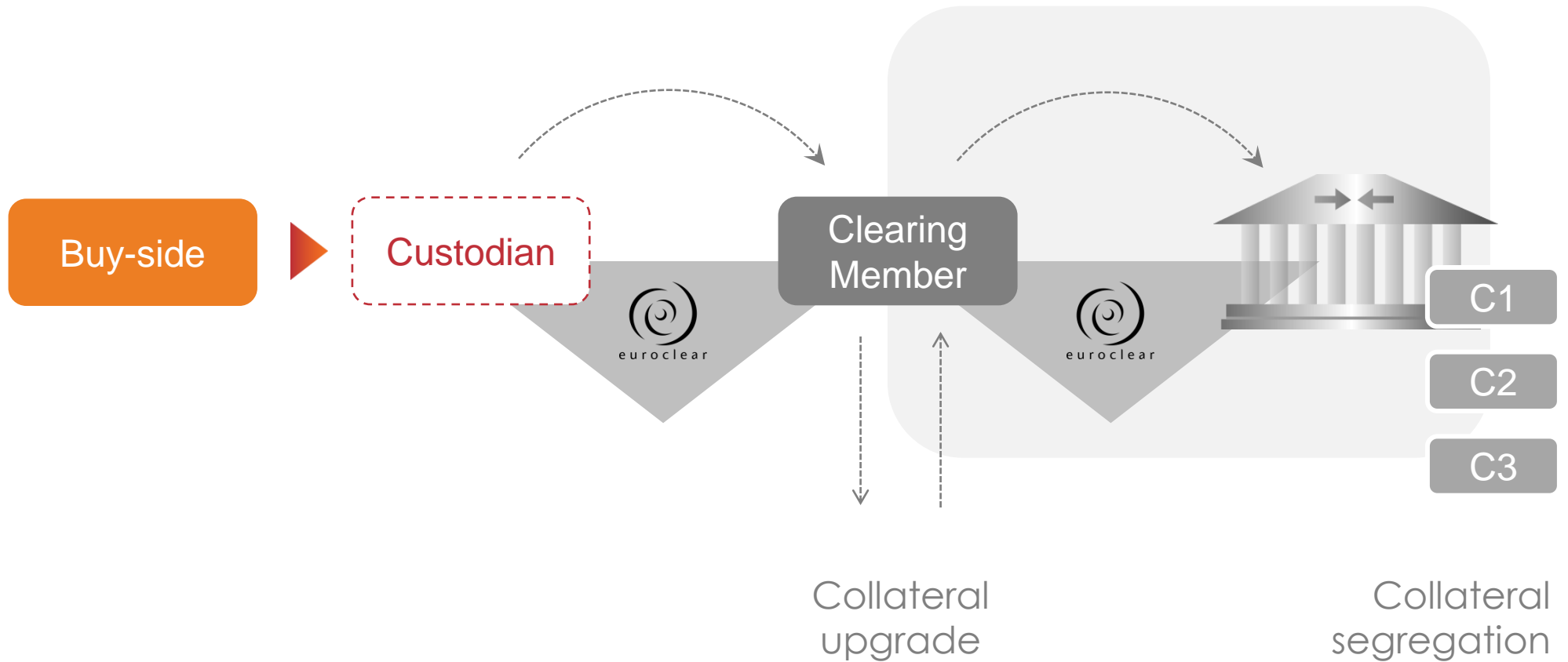


- Open Inventory Sourcing through CSDs and custodians
  - ▶ Nov 2012 - launched with BP2S and Citi, multi-market rollout
  - ▶ 2013-14 - on-board 4+ new agents and 2+ major CSDs
- (Real-time) mirroring of local positions and activity
- Assets remain in CSD or agent network but become visible to be mobilised on the Highway
- Standard messaging (SWIFT) for settlement and asset servicing
- Continuous screening and optimization of available collateral pool

Creating the world's first open infrastructure & utility for Collateral Management

# From entry points to exit points

## Example Collateralising OTC derivatives...



# Expertise and robust technology – the reason custodians and CSDs are joining

## Fast, affordable, non-disruptive

- Few months vs few years
- Limited cost vs massive investment
- Leverage existing infrastructure
- Local **and** global solution

## Collateral sophistication

- Broad eligibility
- Optimisation
- Transformation
- Re-hypothecation
- Substitution
- Continuous evolution

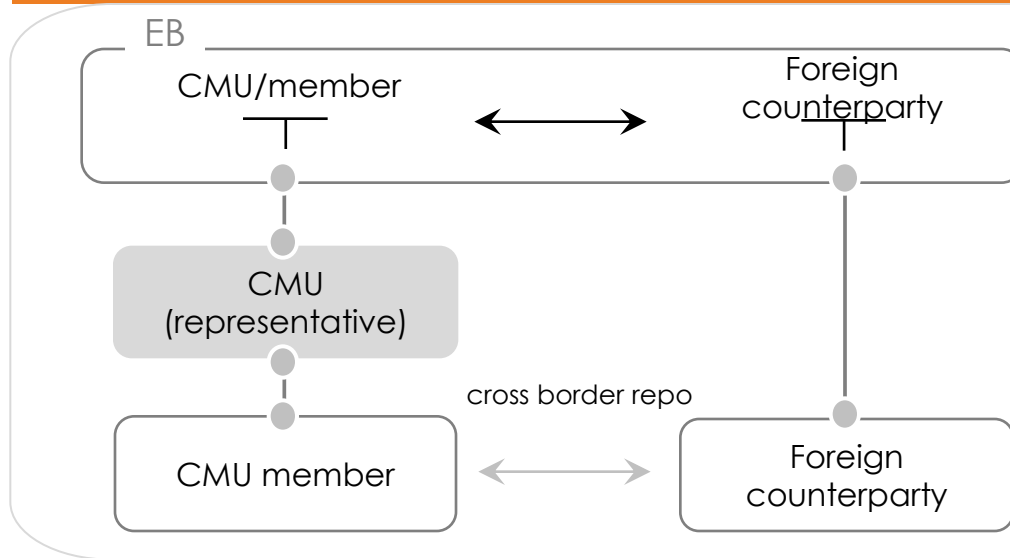
## Expertise

- Proven technology
- Operational support
- Professional neutrality
- Global reach (securities and counterparts)



# CSD & ICSD collaboration

## HKMA cross border collateral management link



- Launched in March 2012
- CMU as a representative for HK domestic institutions has access to Euroclear Bank triparty
- HK domestic institutions execute cross border repo with foreign counterparties using domestic/international collateral
- DVP model to settle repo cash in HKMA RTGS will be launched (in 2013)

### Second phase under preparation

Provide HKD & CNY liquidity in the local RTGS to foreign counterparties, using foreign securities as collateral



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# Addressing the needs of new Operating Models

Upgrades



- Collateral upgrades with GCA
- Triparty securities lenders
- Triparty repo cash lenders

▶ **Collateral upgrades**

Position Mgt  
'The Entrances'



- Position mirroring

▶ **Inventory management**

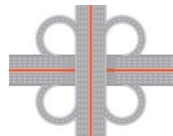
Optimisation



- Optimisation across assets and counterparties

▶ **Optimum allocations**

Allocation



- Eligibility checks
- Pricing and haircuts
- Substitutions
- (DVP) transfers

▶ **Rapid mobilisation**

Location  
exit points



- Collateral safekeeping
- Segregation (in SSS/CSD)
- Consolidated, cross-location reporting
- Reconciliation

▶ **Client clearing and margin segregation**

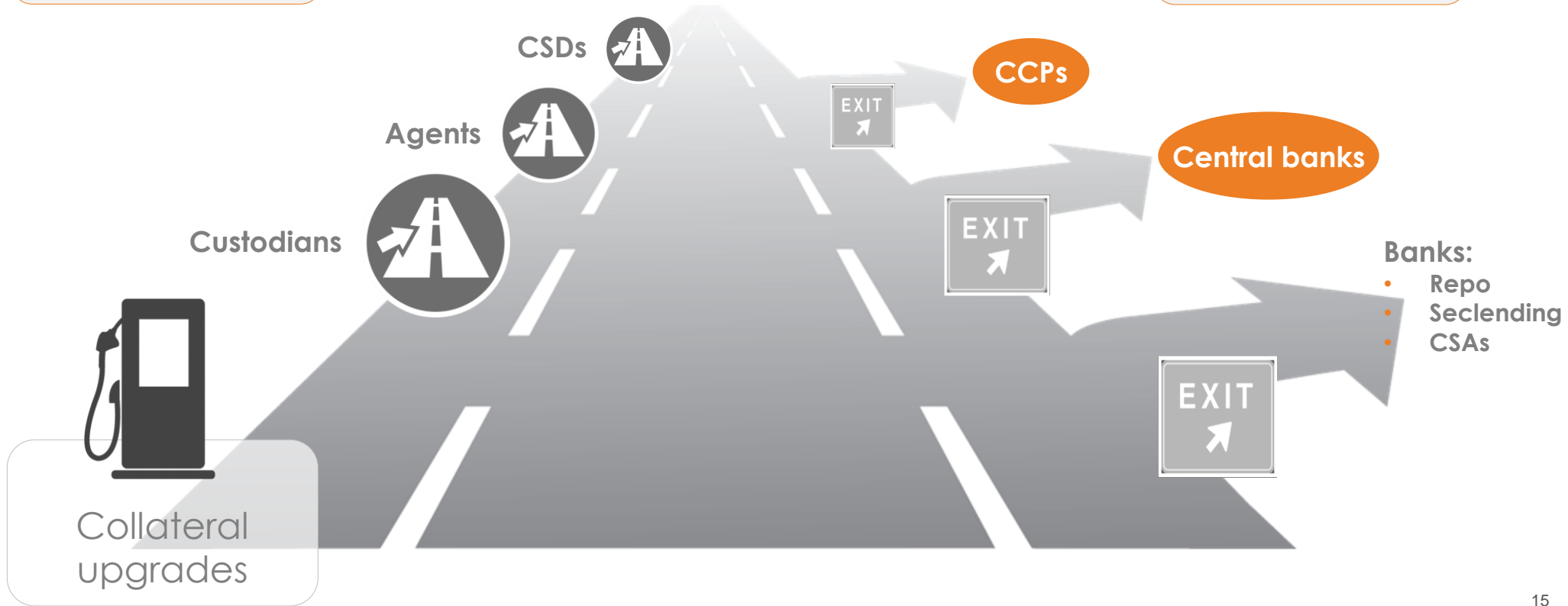


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# The Collateral Highway ... **your** Highway

Sources of collateral

Collateral recipients



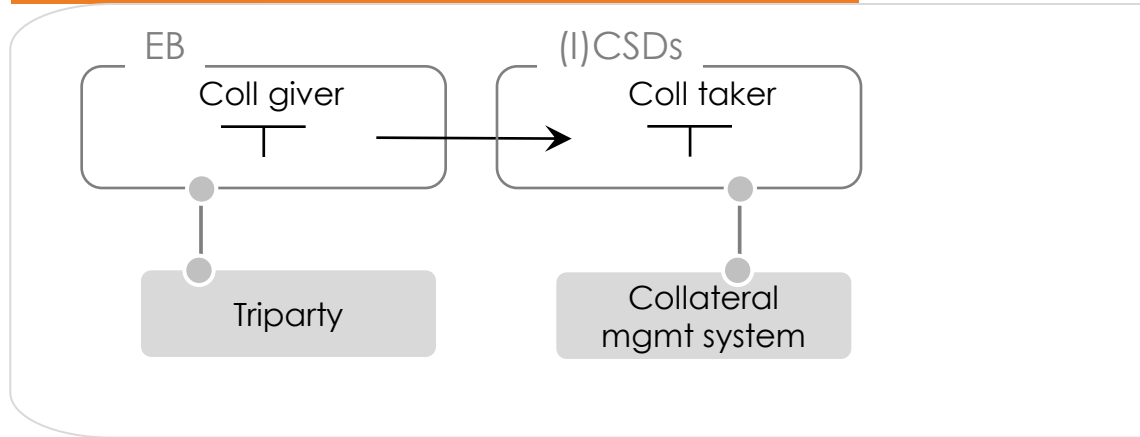


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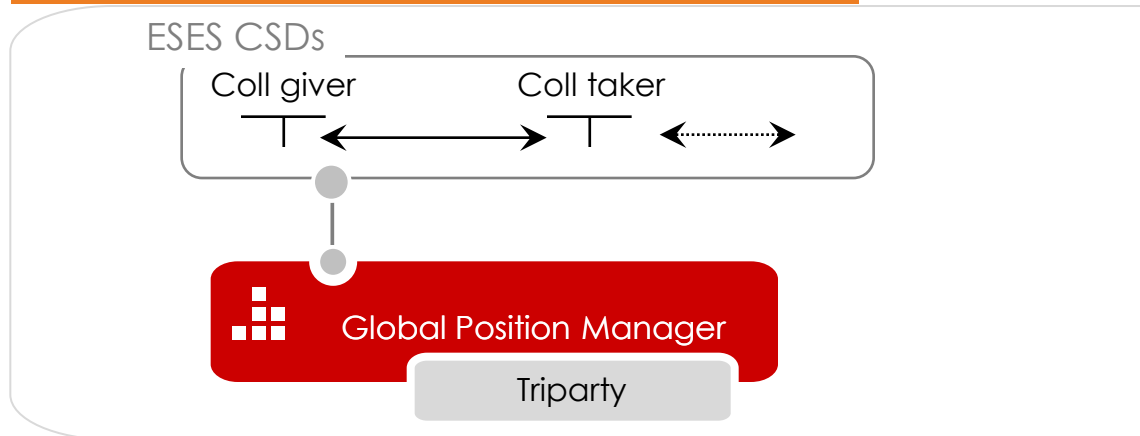
# Euroclear ICSD solutions

## Collateral Allocation Interface



- Service launched in June 2009
- Collateral allocation through Euroclear Bank triparty service to external accounts i.e. outside Euroclear Bank (European central bank liquidity schemes, etc. )
- Available (or under testing) for central banks in Belgium, France, Netherlands, Germany, Luxembourg

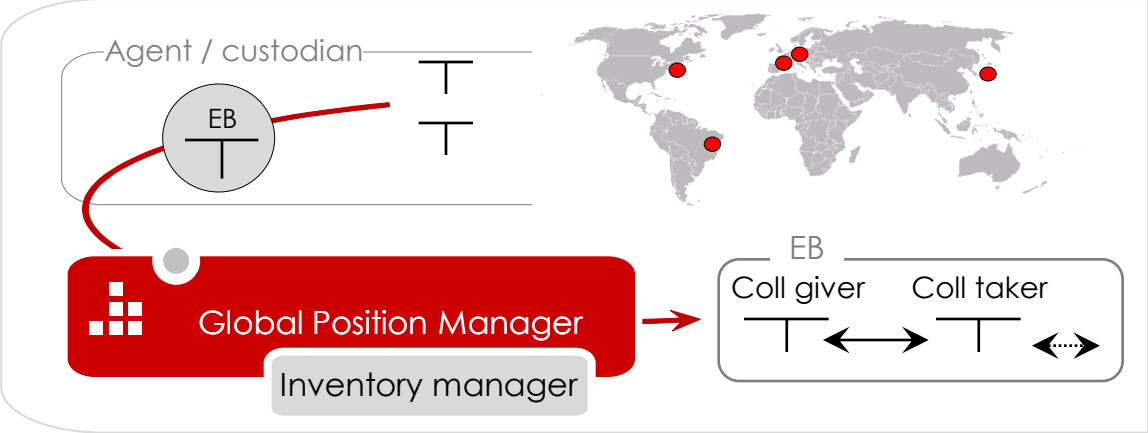
## ESES collateral management



- Service launched in Nov 2011
- Domestic triparty service for ESES (Settlement Platform for Euronext market)
- Utilise Euroclear Bank triparty system by mirroring positions/activities in ESES via Global Position Manager

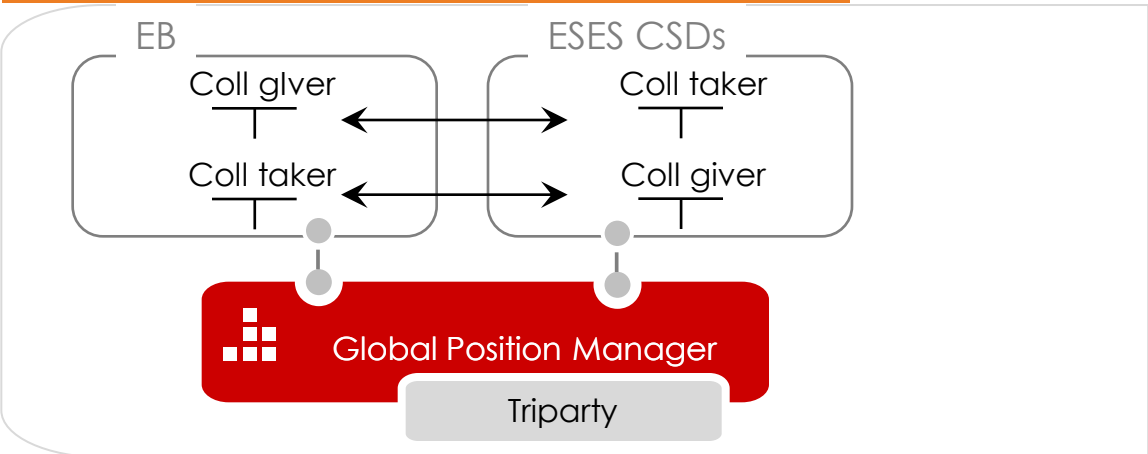
# Euroclear ICSD solutions (continued)

## Open inventory sourcing



- Euroclear Bank opens a/c with domestic agents or CSDs
- Global position manager mirrors balance/activities of customer a/c at agents (creates virtual single pool)
- Inventory manager identifies the required collateral and instructs the agent to transfer to Euroclear Bank, for use in triparty
- Already live with BNP Paribas and Citi

## Triparty Interoperability EB-ESES



- Mutual triparty service access between Euroclear Bank and ESES (2013/6 ~)
- All ECB eligible securities are available within ESES