

Clearstream

Global Liquidity Hub

Product information

Clearstream services for OTC derivatives

Key benefits

A comprehensive service

Clearstream is a central hub for OTC derivatives – we handle all trade registration and collateral requirements.

Greater efficiency

Our end-to-end service saves time and resources.

Regulatory compliance

Our OTC collateral management and REGIS-TR services facilitate Basel III, EMIR and Dodd Frank compliance.

Lower risk

Streamlined access to CCPs, account control agreements, collateral management and the registration of trades through REGIS-TR help improve your risk management.

Better portfolio management

You will have a better overview of your assets and collateral positions as all derivative trades are listed through one system.

Reduce operational costs

Our collateral optimisation services enable you to save money by allocating the right amount of the cheapest collateral possible.

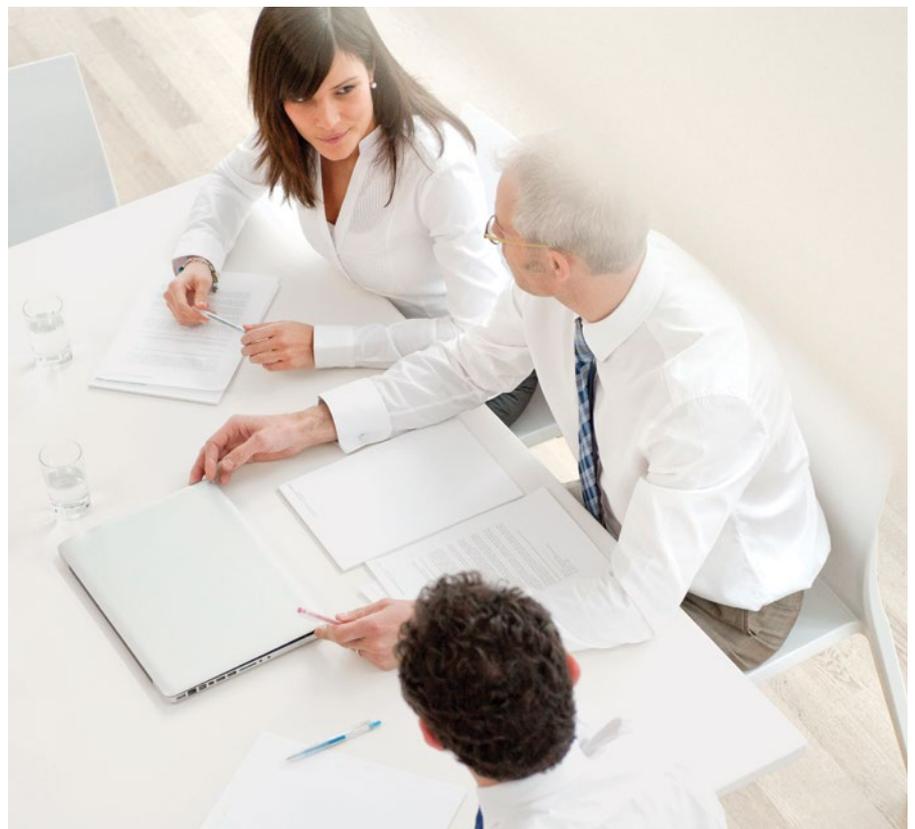
Improved access to CCPs

Collateral transformation optimises collateral to meet stricter margin requirements and to make full use of your available securities.

Clearstream offers several special services for OTC derivatives – from registration to contract administration, collateral management and portfolio reconciliation – which help customers manage their OTC derivative trades in an efficient and secure manner in line with stringent upcoming regulations.

Clearstream's service suite for OTC derivatives covers all post-trade requirements. Once the trade has been concluded, it is registered in our trade repository REGIS-TR and collateral management services are provided by our award-winning Global Liquidity Hub. The services cover both bilateral and triparty derivative transactions, regardless of whether they have been cleared through central counterparties (CCPs) or not.

We can support the full lifecycle of bilateral collateral management activity from CSA review and administration, mark-to-market, margining, dispute management and portfolio reconciliation to payment/settlement follow-up and reporting. For collateral positions held in custody with Clearstream, reuse in the triparty world is delivered as an integral part of this unique service.



Regulatory compliance

It may be surprising to some that OTC derivatives should require such extensive, centralised servicing, as the nature of OTC trades implies that the trade can be done in an informal way.

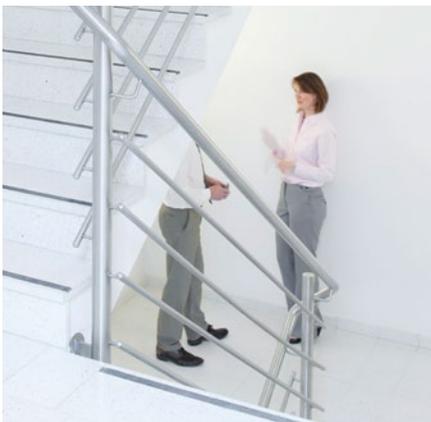
However, unregulated OTC derivatives were signalled out as one of the key causes of the financial crisis of 2008. In an attempt to make OTC derivative trading more transparent and standardised, regulators adopted a raft of regulations such as Basel III, EMIR and the Dodd Frank Act.

These regulations aim at reducing the inherent risk of OTC derivative trading by requiring the trades to be cleared by a CCP and to be backed up by collateral. If trades are unsuitable for

clearing by a CCP due to unquantifiable risk or insufficient liquidity, they must at least be registered in a trade repository. In addition, customers will face higher margin requirements for these uncleared transactions.

Customers can benefit from an entire service suite for OTC derivatives to meet these new regulatory requirements – this is part of our ongoing efforts to make the market more transparent, standardised and secure.

Collateralising cleared derivatives



As customers will be required to clear an increasing number of trades through a CCP, it will become more and more difficult to keep track of the necessary collateral for margining the trades and to optimise allocation across the different operational frameworks and collateral profiles of each CCP.

Clearstream's triparty solution is ideal to help customers cope with their increasing margining requirements

in a cost-efficient and secure way. By choosing Clearstream as their collateral agent, customers can save money by optimally managing a single collateral pool to bridge OTC and CCP exposures. This represents a much more efficient use of collateral than expensive cash margins.

Please contact your GSF relationship manager for information on which CCPs are covered by the service.

Collateralising uncleared derivatives

While the bulk of derivative trades will shift to CCPs, some will inevitably remain uncleared.

Market participants will therefore have to manage and optimise collateral allocation across two parallel streams of cleared and uncleared OTC derivatives. This brings additional complexity at a time when collateral scarcity is a paramount concern.

Clearstream's OTC derivative collateral management service is integrated into the award-winning Global Liquidity Hub. This means that customers can take advantage of our collateral transformation and cash reinvestment opportunities while creating a unified collateral pool that effectively bridges bilateral and triparty trades to reduce inefficiencies from collateral fragmentation.

Our collateral transformation services include OTC and centrally cleared repos, securities lending and pledges to central banks. Cash reinvestment involves swapping cash against money market funds or services such as GC Pooling and triparty repo.

Our OTC derivative service gives customers an accurate and timely view of the status of their exposures and helps track collateral positions. They can further benefit from our leading collateral management and reconciliation systems.

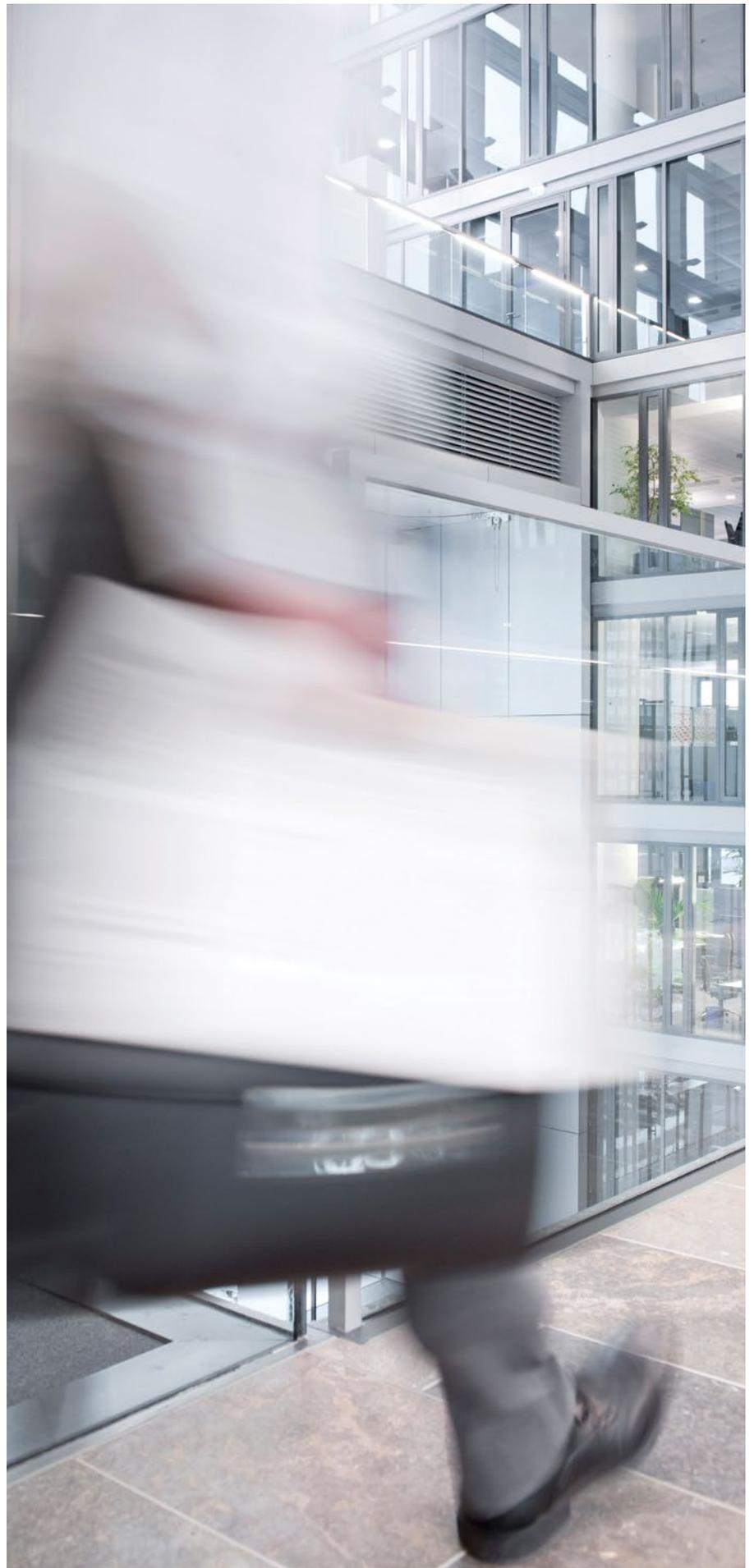
Initial margining

Regulators and industry bodies highly recommend the segregation of initial margins which customers post with third-party custodians and collateral agents.

Clearstream offers initial margin segregation both through the bilateral collateral management service for OTC derivatives and through triparty services.

To this end, customers have the possibility of signing the ISDA 2013 Account Control Agreement (ACA) - a triparty contract between Clearstream's international securities depository as the custodian and two OTC derivative counterparties.

This asset segregation ensures that customer assets are separate from those of Clearstream Banking and secure at all times, even in the unlikely event of a default of Clearstream Banking. In addition to complying with regulatory recommendations, this also results in greater operational efficiency.



REGIS-TR

The EMIR regulation requires all OTC derivative trades to be reported in a trade registry.

To help customers comply with this new law, Clearstream holds a 50% share in REGIS-TR, the European trade repository. REGIS-TR is open to all financial and non-financial institutions and offers a comprehensive service for all types of derivative contracts.

In addition to collecting and managing details on derivative transactions, REGIS-TR will eventually provide customers with a full-blown reporting hub. The new hub will include value-added services such as centralised

collateral and exposure management as well as reconciliation services. Customers will have the possibility of listing all derivative trades through one system. This will give them an overview of all positions which will make the collateralisation of their portfolio much more efficient. In addition, using REGIS-TR as a central point for all derivative reporting will result in lower connectivity and IT costs as well as time savings.

A holistic solution

Outsourcing the administrative burden of managing OTC derivatives to an experienced agent such as Clearstream allows customers to focus on some of the pressing challenges

facing the industry today, such as the complexities of how to best handle the migration to central clearing and managing the increased cost of financing.

Clearstream's services for OTC derivatives provide complete, easy and efficient support during the entire trading cycle from clearing to registration and collateral management. In addition to freeing up back-office resources, customers will benefit from better risk management and compliance with upcoming regulations.



Contact information

If you are interested in further information on our collateral management service, please contact our dedicated GSF team.

gsf@clearstream.com
www.clearstream.com

Luxembourg +352-243-36868
Frankfurt +49-(0)69-211-12757
London +44-(0)20-7862-7142
Singapore +65-6597-1622
Hong Kong +852-2523-0728
Dubai +971-4-331-0644
New York +1-212-309-8882