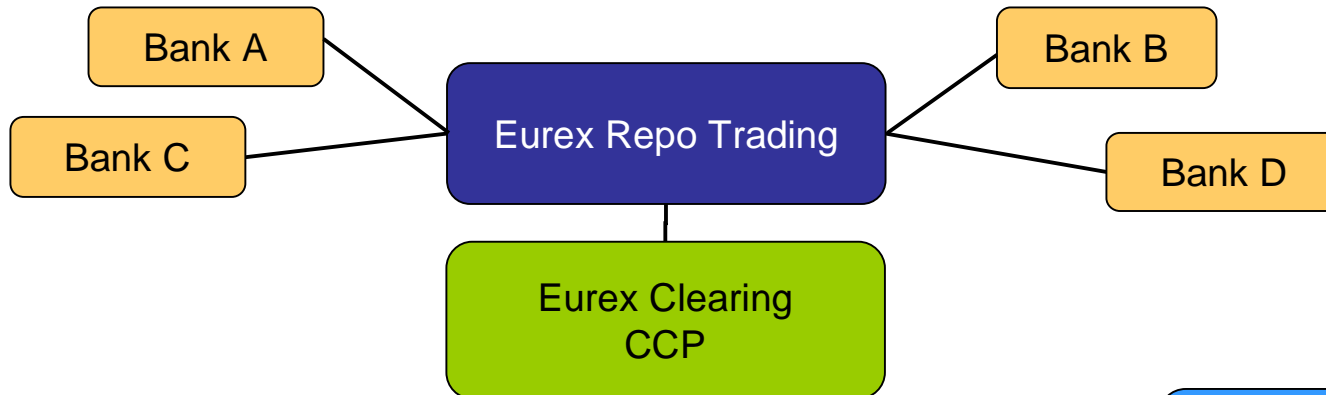# Triparty Interoperability Model for «Euro GC Pooling»

## Clearstream proposal (Nov.2009)
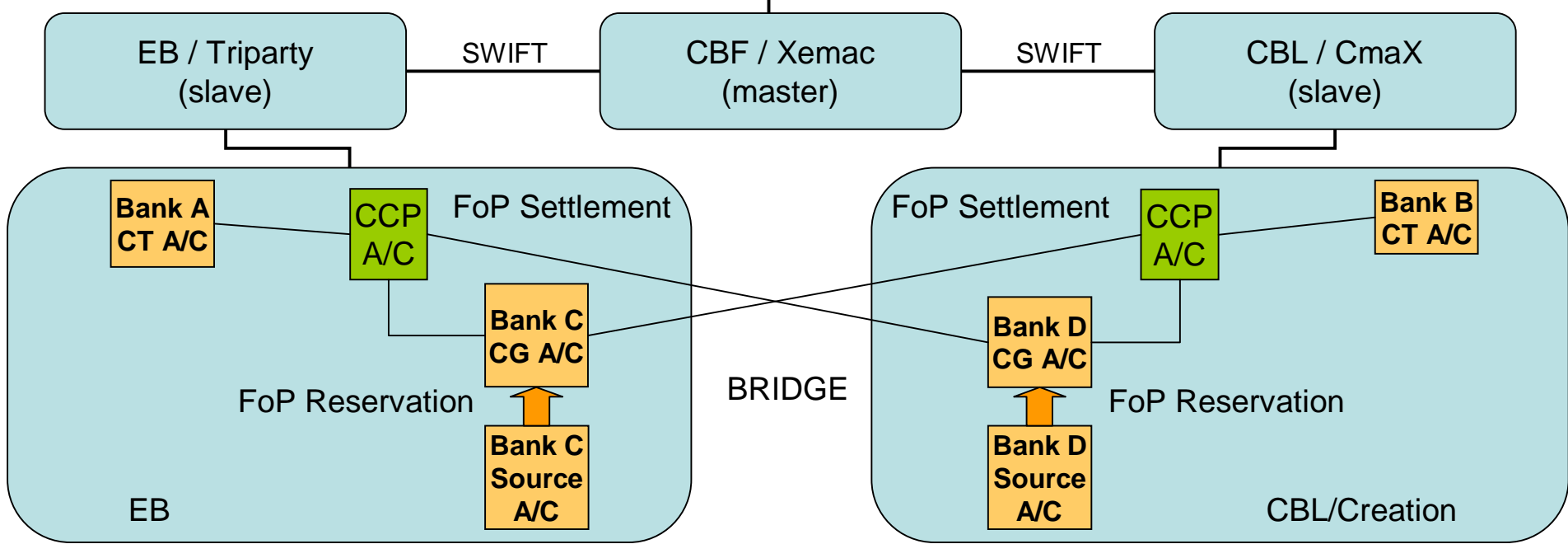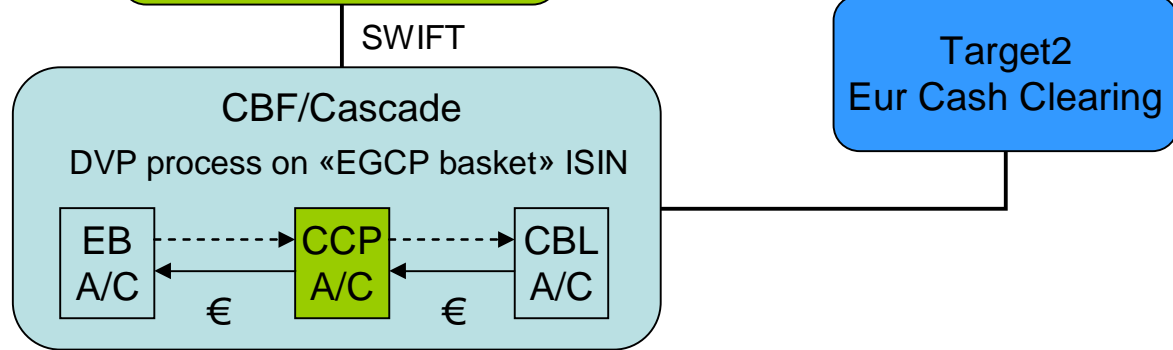
ERC Meeting
Munich, 7 Dec. 2009

clearstream | DEUTSCHE BÖRSE GROUP

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# Functional model - description

1. Bank A and Bank B are quoting Euro GC Pooling bid/ask on Eurex Repo
2. Either Bank A or Bank B hits an existing Euro GC Pooling quote, thereby generating a trade (no manual allocation of securities, one "EGCP basket" ISIN)
3. Eurex Repo sends trade information to Eurex Clearing, which steps in as CCP
4. Real-time trade information is available for involved parties via the GUI, OTX file or Programmable Application Interface (PAPI)
5. Following novation process, Eurex Clearing transmits DVP settlement instructions on "EGCP basket" ISIN to CBF/Cascade
6. Eurex Clearing sends reports to involved parties
7. CBF/Cascade calls for cash provisioning on Banks/CCP accounts
8. When cash provisioning confirmed, CBF/Cascade calls CBF/Xemac for collateralisation
9. CBF/Xemac determines available "reserved" collateral in CBF/Cascade, EB or CBL/Creation. If required, CBF/Xemac calls for initial (or top-up) reservation to CBL-CmaX or EB-Triparty.
10. After successful feedback of collateral reservation process to CBF/Xemac, DVP settlement process on EGCP basket ISIN is triggered in CBF/Cascade (EUR cash is cleared in Central Bank Money from / to Banks accounts and to / from CCP accounts in Target2). Simultaneously, collateral securities are transferred Free-of-Payment, from / to Banks dedicated accounts and to / from the CCP accounts in  CBF/Cascade, CBL/Creation, EB.

# Assumptions

- Eurex Clearing AG requirements should be followed:
    - same day trading deadline (16:00)
    - Central Bank Money for Cash Settlement
    - Response time close to Real-time ( Allocation and substitution)
    - No or very limited downgrade of service for the current users
- Product: EUR GC baskets ( EGCP/EGCP-X baskets)
- Level playing field between ICSDs (CBL and EB)
- CCP account  in CBF, in CBL and in EB
- Customer can pool assets from
    - CBF + CBL,
    - CBL only,
    - CBF + EB,
    - EB only
- Collateral Taker account can be in "CBF and/or CBL" OR "CBF and/or EB"
- CBF/Xemac is the "Master" collateral management system.
- CBL/CmaX and EB/Triparty are "Slave" collateral management systems.
- CBF/Xemac keeps full control on all movements
    - FoP reservation process in CBF/Cascade, CBL/Creation, EB
    - DVP process on dummy basket ISIN in CBF/Cascade
    - FoP collateral movements in CBF/Cascade, CBL/Creation, EB

# Functional model – settlement level

**Settlement by ICSDs**

- CBF/Xemac is called by CBF/Cascade for collateralisation of EGCP trades
- CBF/Xemac determines available "reserved" collateral
  - either in CBF/CASCADE
  - or in CBL/CREATION
  - or in EB (customer can only be in CBL/CREATION or in EB, not both)
- As today, CBF domestic securities can be used by any customers based on reservation on dedicated accounts in CBF/Cascade
- International securities are reserved and segregated in the ICSDs via
  - specific accounts in CBL
  - specific accounts in EB

# Functional model – settlement level

**Accounts in CBL / EBB**

- Within ICSDs , dedicated accounts will be used for Euro GC Pooling
- Initial segregation of securities for Collateral Givers can be performed from collateral source accounts to reservation account
- Free-of-Payment settlement of collateral movements between customer reservation accounts and the CCP account will however always take place between the dedicated accounts ("Settlement")
- As a result, the same logic as the one applicable in CBF environment today should be respected: securities movements are controlled by CBF/Xemac exclusively and securities cannot be withdrawn from any dedicated account without CBF/Xemac approval



**ICSD**

Reservation          Settlement          Segregation

**EGCP – dedicated accounts**

| Customer A Coll. Source account | Customer A EGCP account | | Customer D EGCP account |
| Customer B EGCP account | CCP EGCP account | Customer E EGCP account |
| Customer C Coll. Source account | Customer C EGCP account | | Customer F EGCP account |