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# ACT Webinar Opportunities for corporate treasurers in the repo market

September 2014



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# Euroclear group in the world...

- 850 European participants
- 610 non-European participants

- 24 European markets
- 19 non-European markets

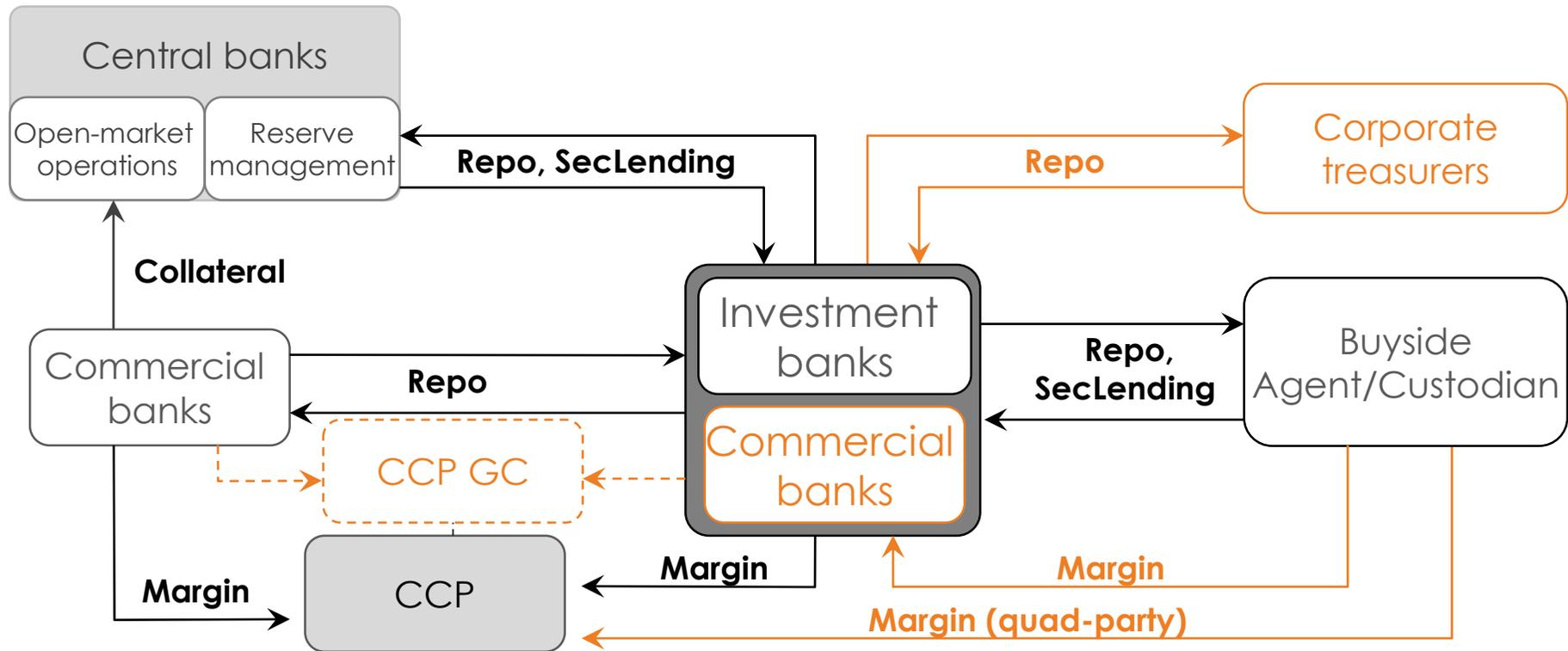
Multi-market group structure combining international and domestic services

More than 1,167,338 bonds, equities and funds

EUR 833 billion cross-market, cross-instrument collateral

250 triparty counterparties

# The new collateral landscape





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# Collateral Highway

## The vision

Creating the largest pool of liquidity flowing through a global infrastructure

**Collateral resources**



**Liquidity providers and collateral end-users**



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# Collateral Highway

## The vision



**Sourcing**



**Allocating**



**Transforming**



**Optimising**

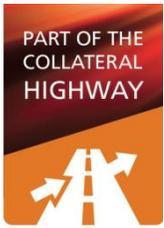




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# Risk management of treasury investments

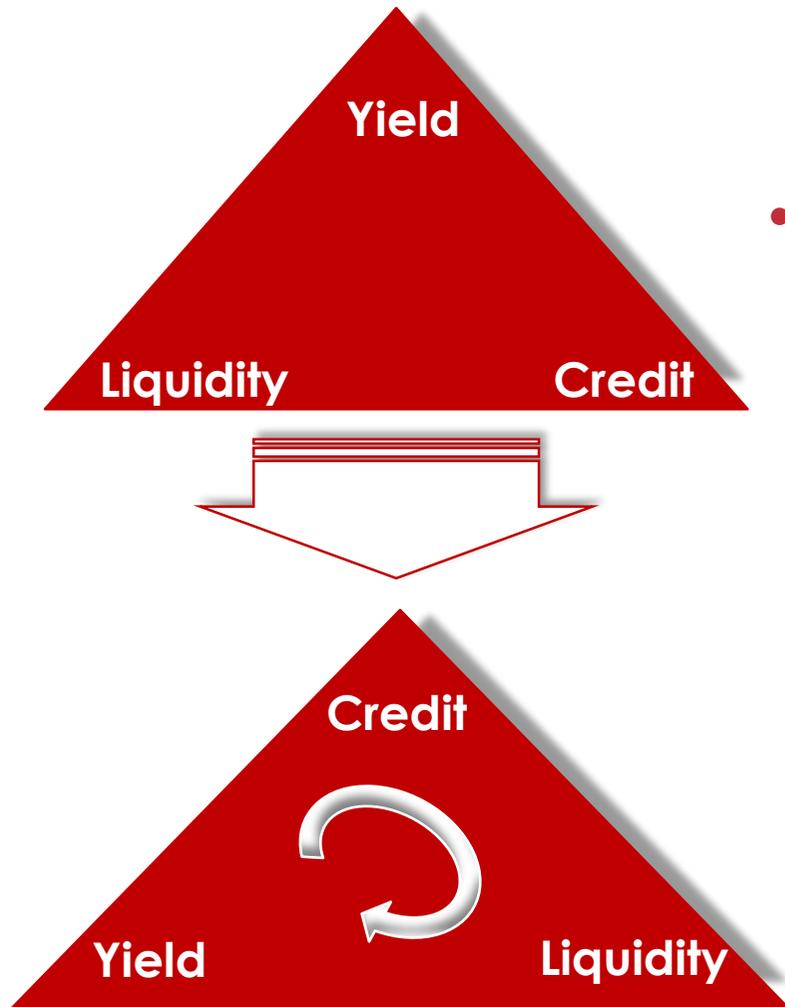
## Introduction



- Striking the right balance
  - ▶ Risk (credit, liquidity)
  - ▶ Yield

# Risk management of treasury investments

## Solving the treasury conundrum



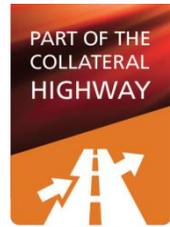
- The three key principles
  - ▶ Capital preservation
    - Avoid direct banking exposure
  - ▶ Maximisation of liquidity options...
  - ▶ while meeting yield target!



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# Risk management of treasury investments

## From return on capital to return of capital

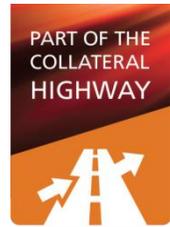


- Introducing the 'double indemnity' to the management of excess liquidity pools...
- enabling you to meet your yield target...
- without the burden of managing collateral



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# Introducing the 'double indemnity' The repo option

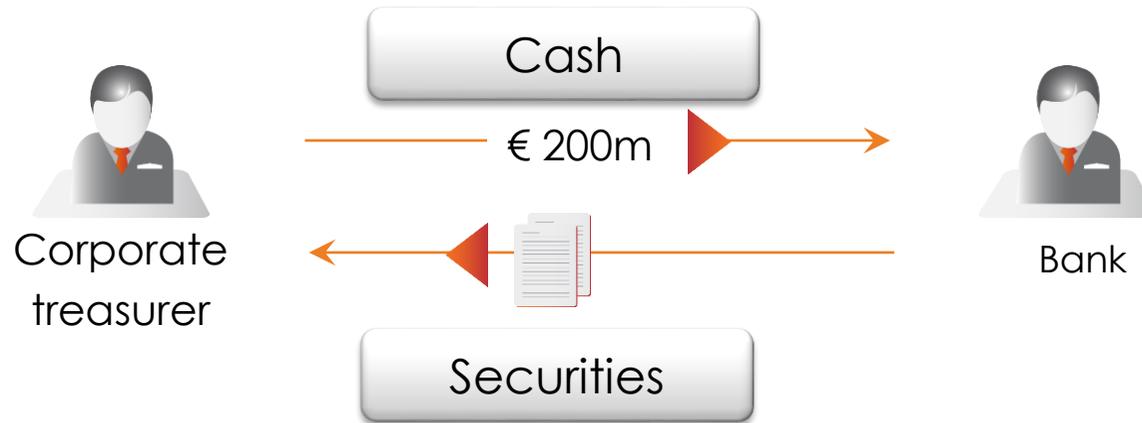


- More and more corporate treasurers are active in repo
  - ▶ Why ?
  - ▶ With repo corporate treasurers can
    - secure your excess cash investments thanks to the 'double indemnity'
    - maximise opportunities by meeting your investment horizon
    - design collateral basket(s) to meet your objectives

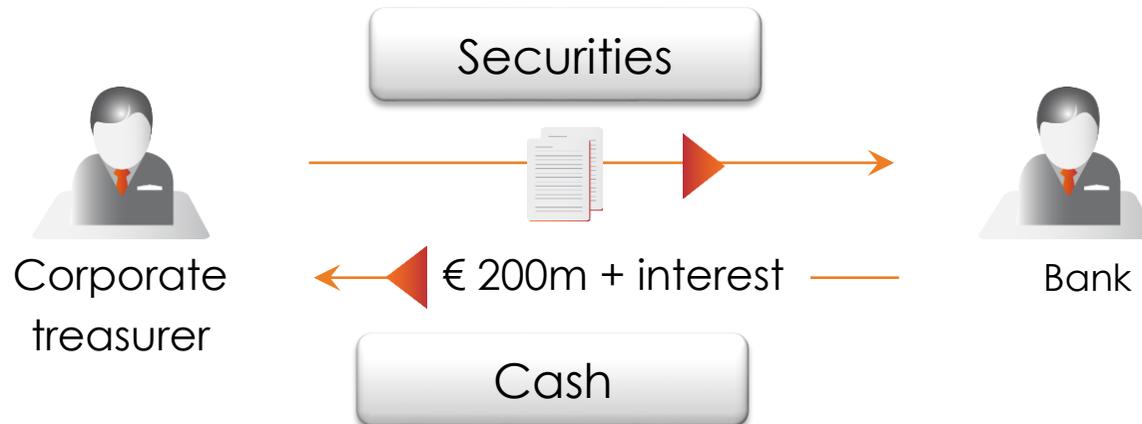
**Maximise capital preservation and liquidity  
while meeting your yield target**

# Introducing the 'double name indemnity' The repo option

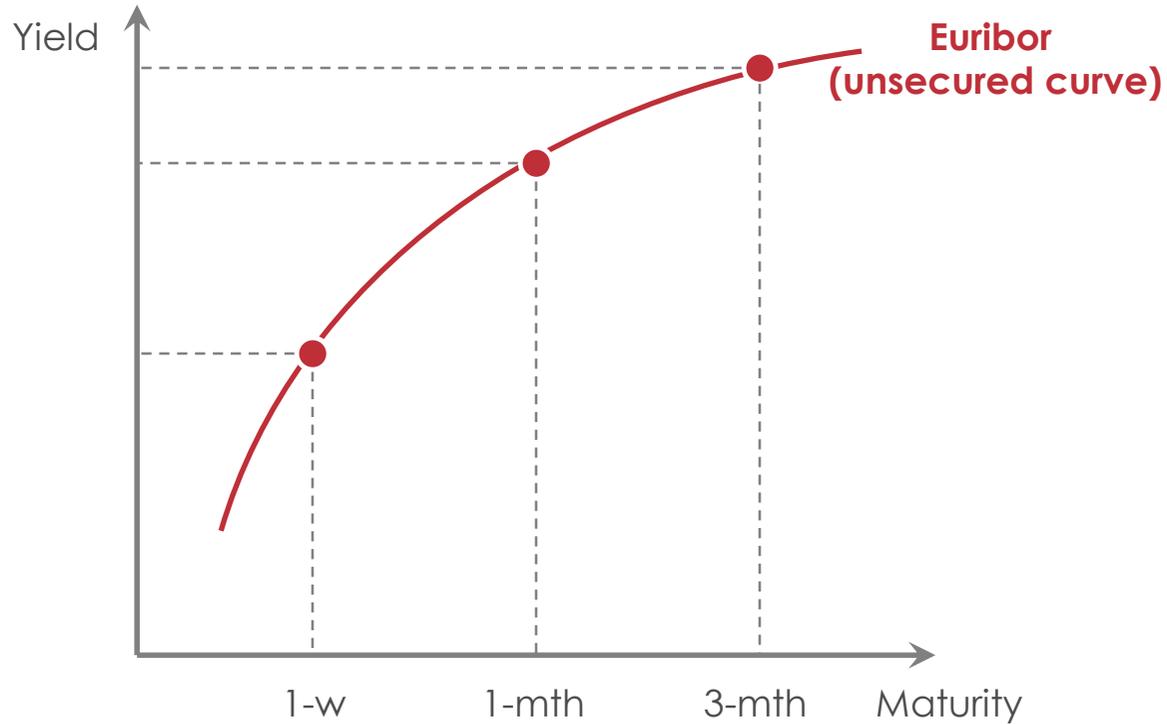
## Opening



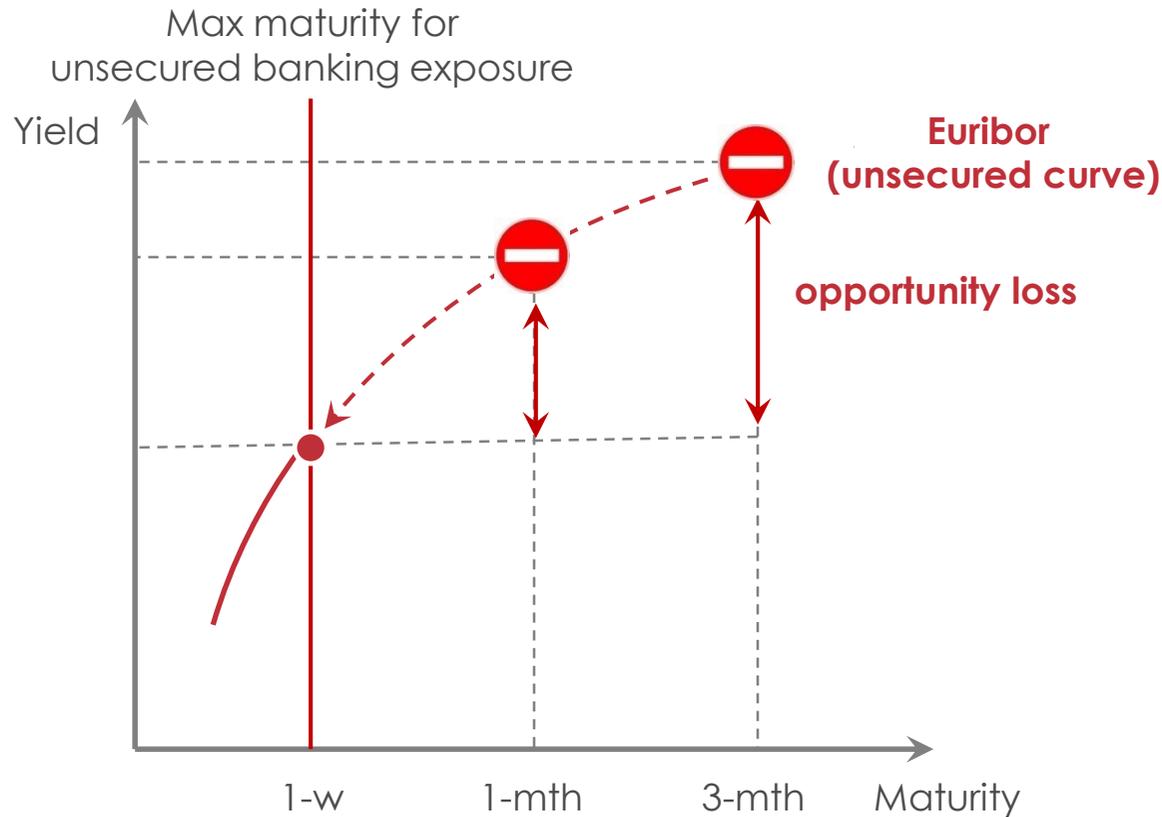
## Closing



# Introducing the 'double indemnity' The repo option



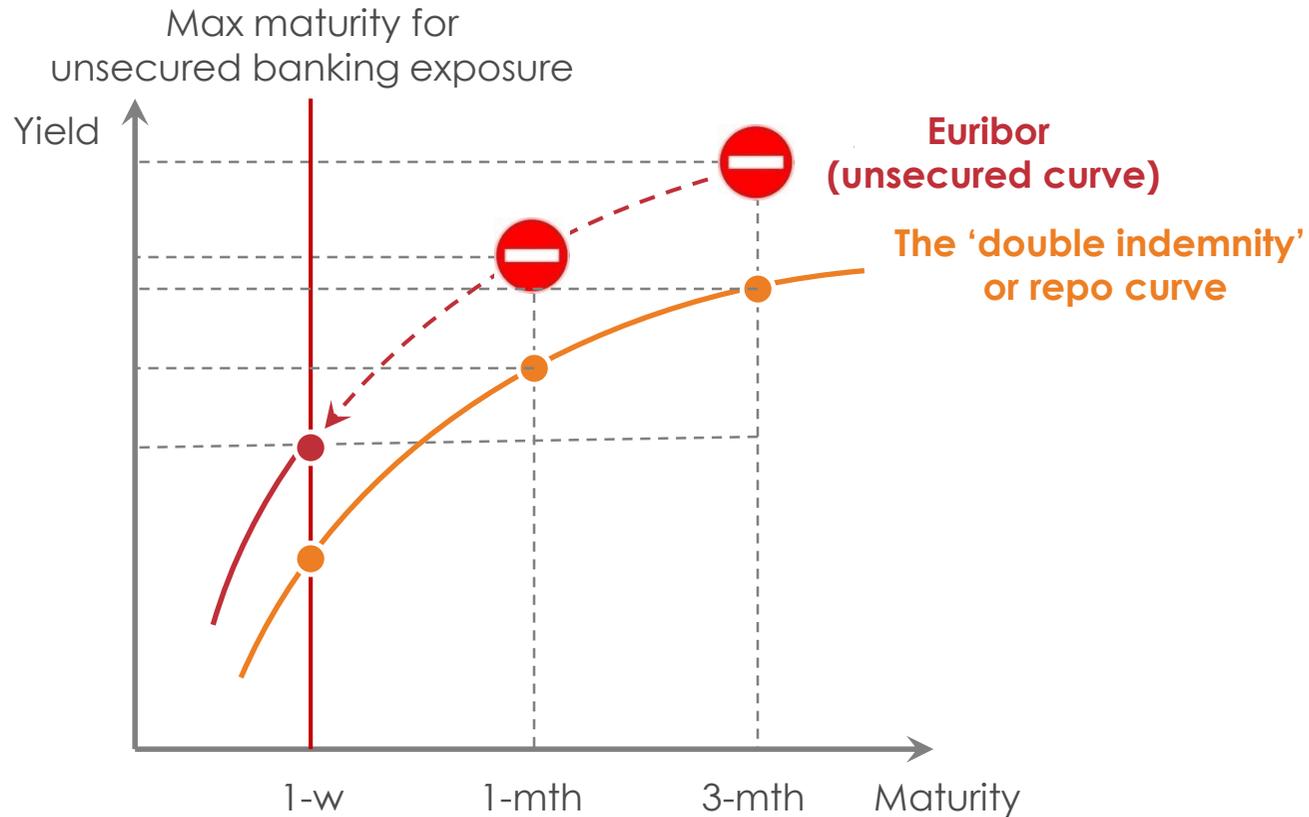
# Introducing the 'double indemnity' The consequences of the crisis



cash available for 3 month invested in a 1-week rolling deposit

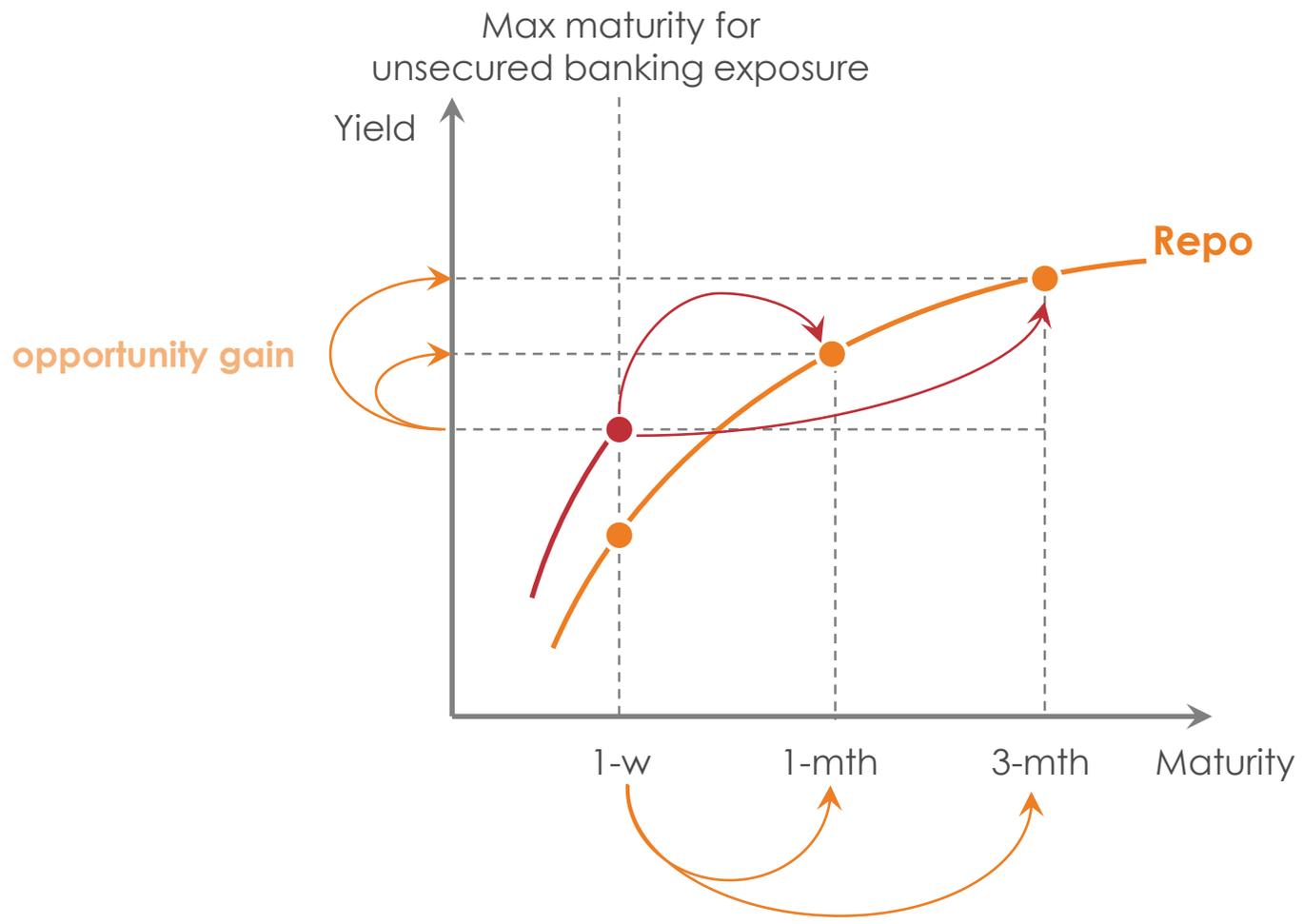
# Introducing the 'double indemnity'

## The consequences of the crisis



cash available for 3 month invested in a 1-week rolling deposit

# Introducing the 'double indemnity' The repo option

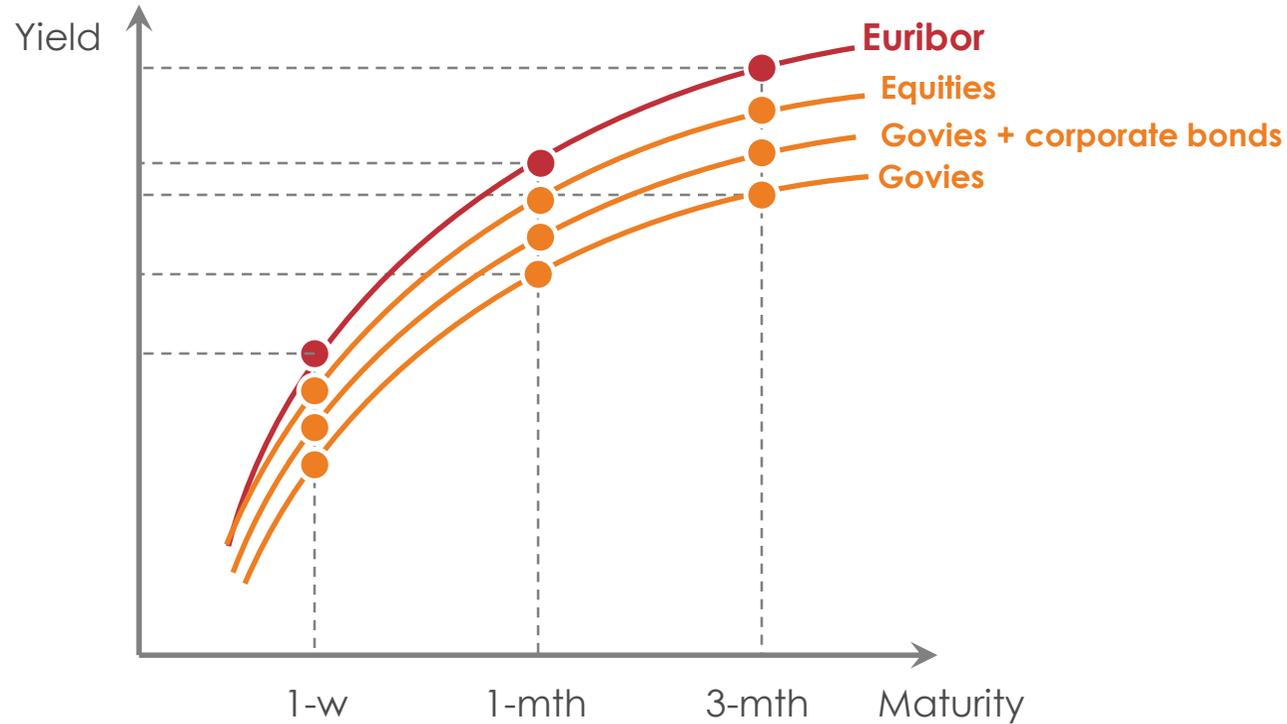
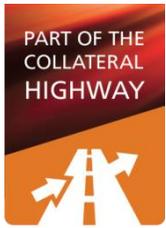




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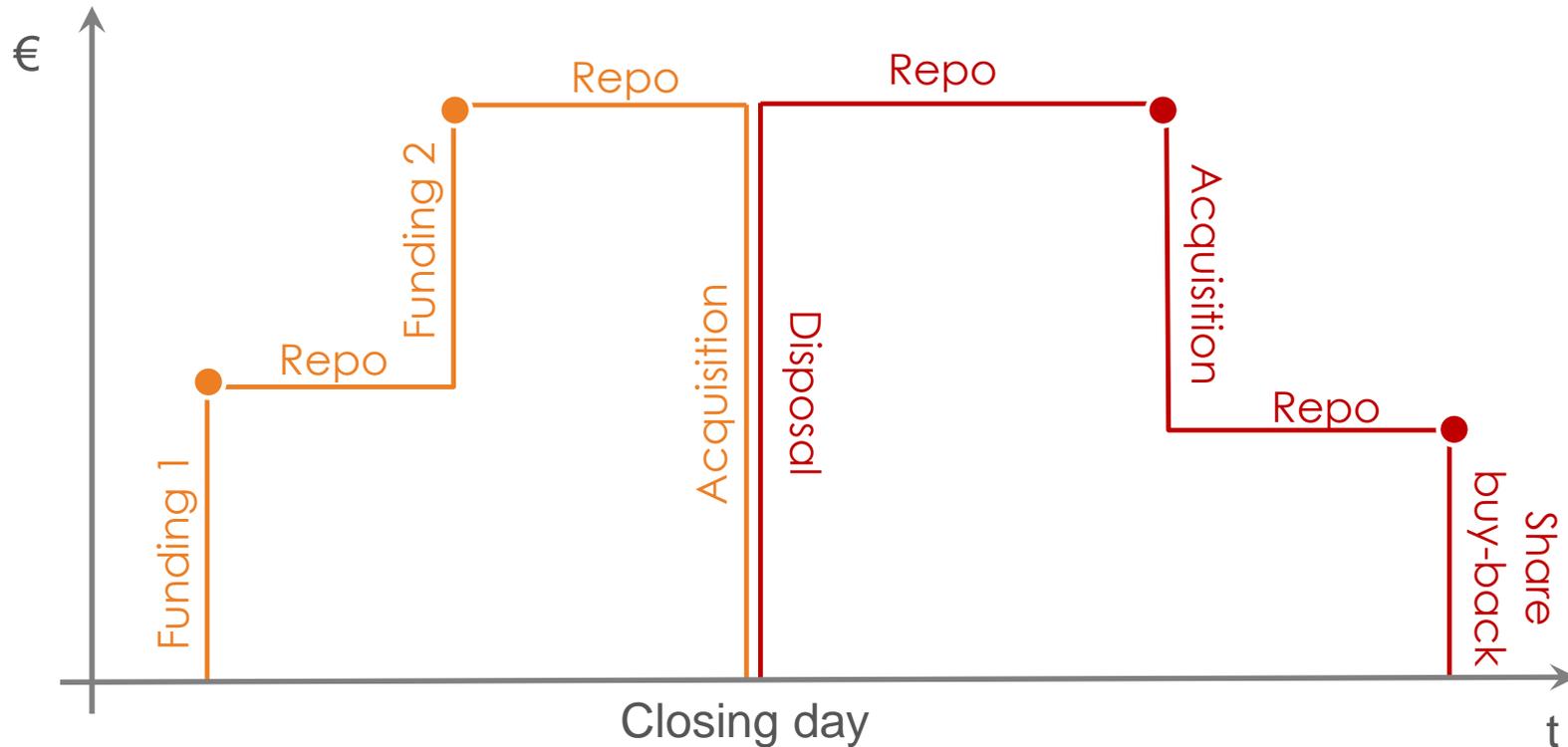
# The repo option

## Tailored to meet your yield target



# The repo option

The repo market: a safe haven for M&A activity

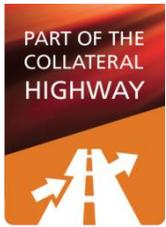




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# Collateral management

## The power of triparty



- Double indemnity implies collateral...
- and collateral implies collateral management!



Outsource the management of your collateral to a leading triparty agent

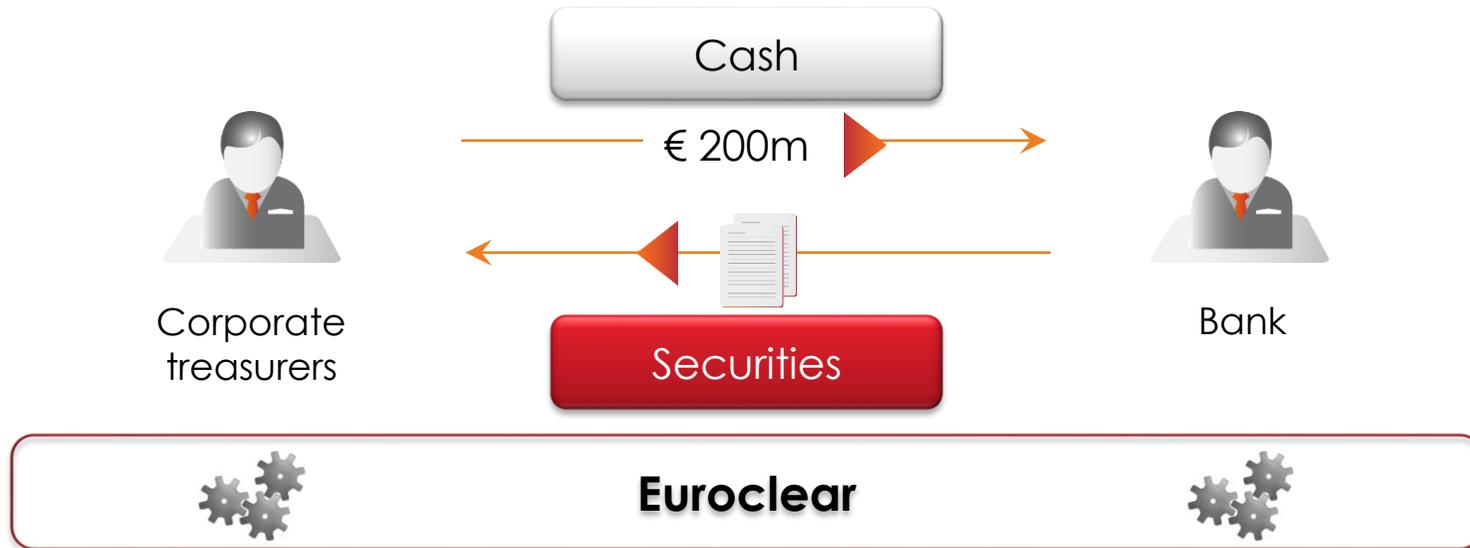
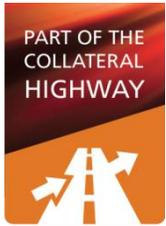
Focus on the economics of the trade  
Delegate the burden of managing collateral  
No direct investment, no servicing fees



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# Triparty Collateral management

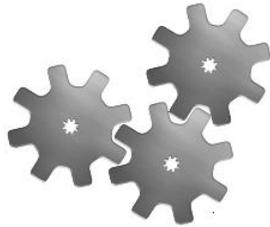
## The repo outsourcing solution



# Triparty collateral management

## The repo outsourcing solution

### Automatic processes



Integrated systems protect you against settlement and custody risk



### Dedicated support

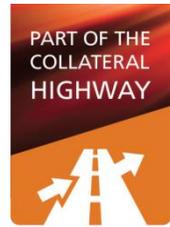
Operational teams guide you in your day-to-day operational needs

- Matching of trade details
- Selection according to eligibility
  - ▶ Define range of assets eligible
  - ▶ Impose collateral diversification (concentration limits)
  - ▶ Overcollateralize (haircut)
- Transfer of securities
- Daily mark-to-market
- Margin calls and releases
- Asset servicing of collateral



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# Triparty collateral management Communication



- Euroclear has a light footprint:
  - ▶ Instructions can be sent via Bloomberg, Swift Lite or Fax
  - ▶ Web-based or email reporting of collateral received at flexible frequencies

# Triparty collateral management

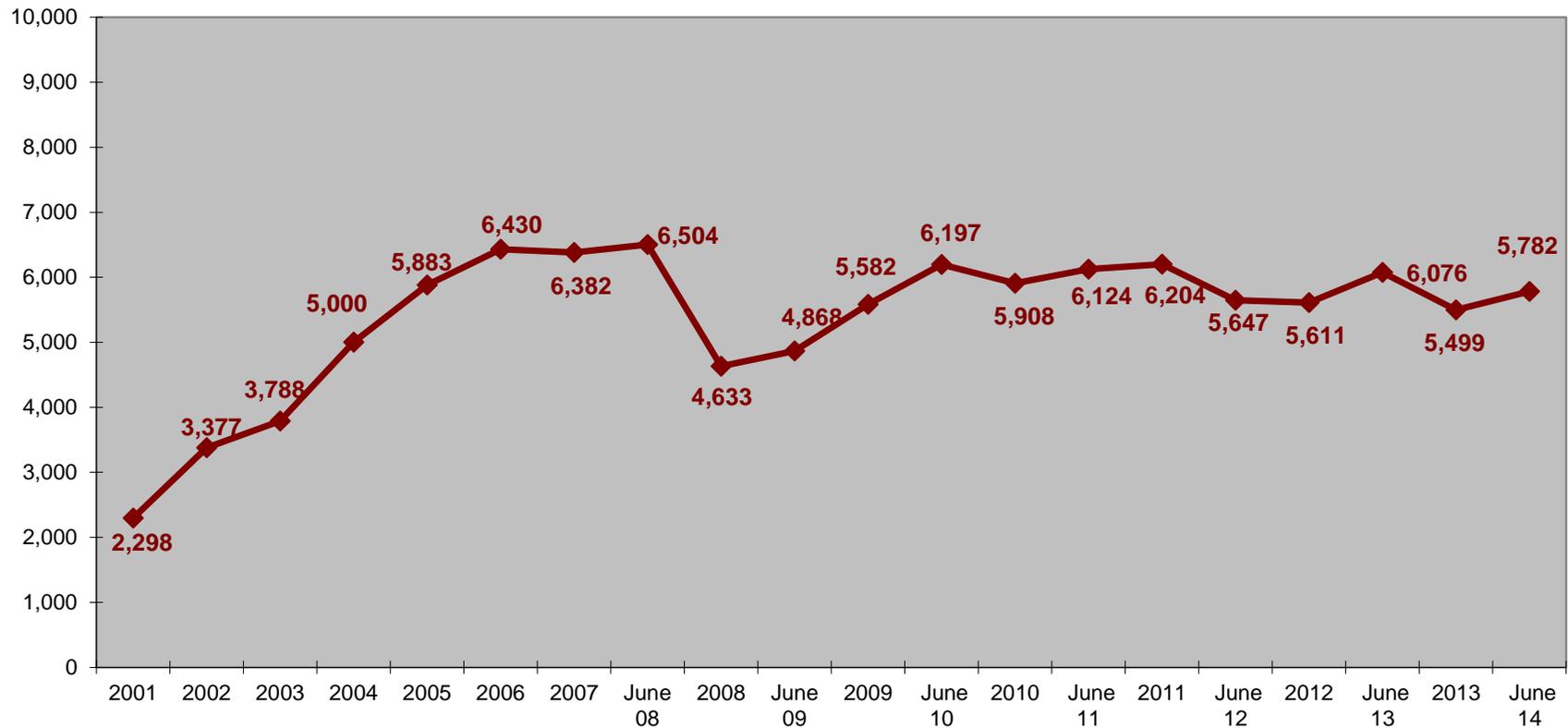
## Entering the repo market



# Triparty collateral management

## The European repo market

ICMA Survey (in €bn)

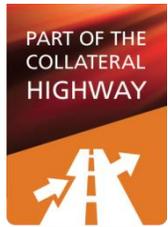


◆ ICMA Survey



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# Triparty collateral management Bilateral contractual documentation



- Many corporate treasurers who are new to the repo market have neither the time nor the expertise to negotiate bilateral GMRA with prospective counterparties



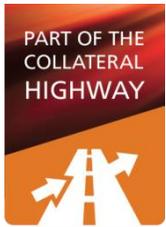
Delegate the signing of GMRA to Euroclear



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# Introducing RepoAccess

## A new service for corporates

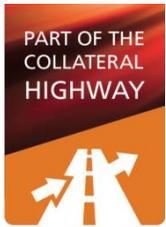


- Euroclear's answer to the challenge posed by the GMRA is **RepoAccess**, a free service available to collateral takers
- Through RepoAccess, Euroclear Bank leverages its experience in setting up GMRAs with all major banks to help corporate treasurers to enter the repo market



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# Euroclear Bank RepoAccess Principles

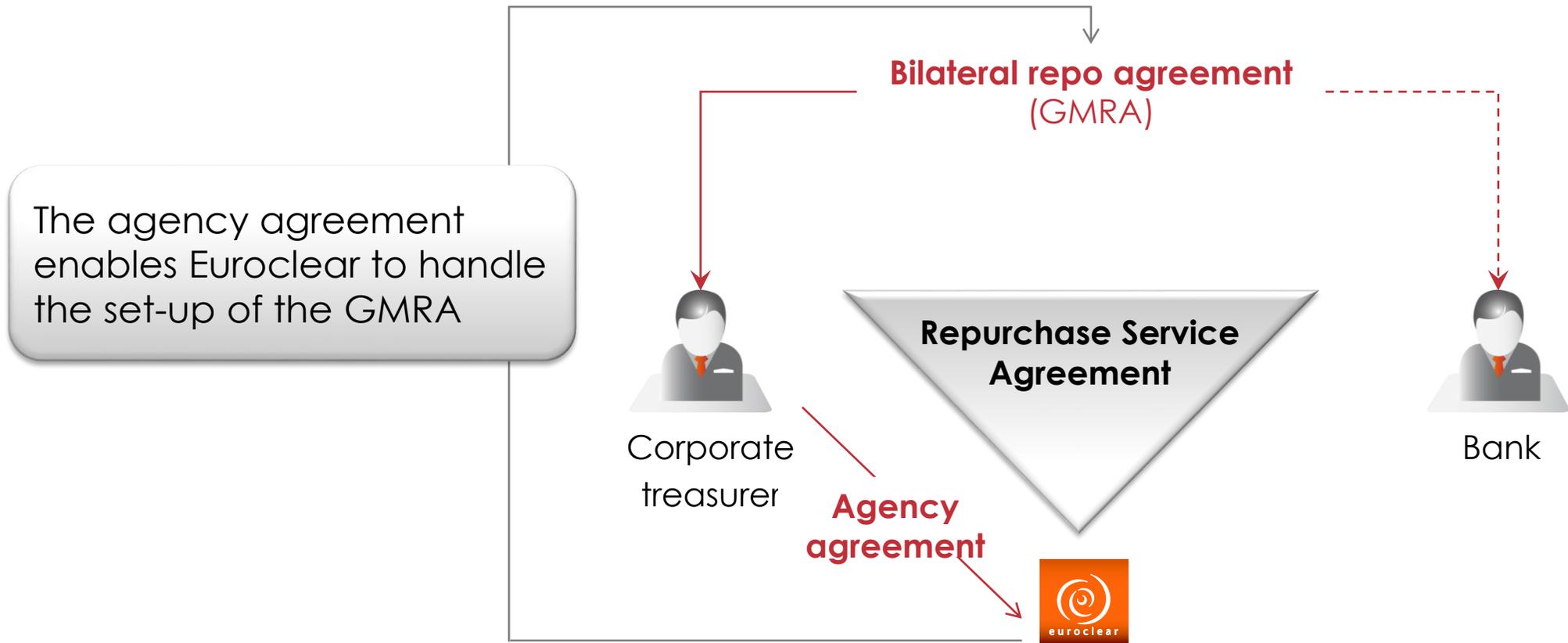


Euroclear obtains a mandate to set-up a GMRA



- Euroclear will establish a new GMRA, based on existing GMRAs, in the treasurer's name
- A treasurer can have the benefits of repo while being shielded from negotiating a GMRA

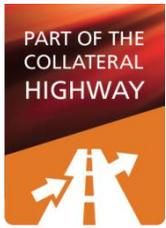
# Euroclear Bank RepoAccess Legal framework





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# Euroclear Bank RepoAccess Benefits



With RepoAccess, you have

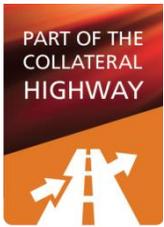
- The benefits of industry-standard agreements
  - ▶ Giving you access to all banks active in the repo market
- Flexibility over post-trade settlement
- Full control of the collateral profile and of trade execution
  - ▶ You can focus on the economics of the trades



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# Triparty collateral management

## Benefits for corporates



## The best of both worlds!

- Benefit from double indemnity on your investment
  - ▶ Increase the maturity of your investment
  - ▶ Design a collateral basket to meet your yield target
- Outsource the management of your collateral to a triparty agent
  - ▶ Delegate operational burdens to a specialist
  - ▶ Avoid direct investment...
  - ▶ ... and all at no cost as banks bear collateral management fees



# Triparty collateral management Getting started

Interested in joining the Collateral Highway?

Contact your relationship manager or  
one of our specialists

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