Euroclear’s Global Collateral Highway

The first open global market infrastructure to source and mobilise collateral across borders and time zones
Introducing the Collateral Highway

For many clients, the ability to mobilise collateral across markets and time zones was just a dream. Now the dream has become reality.

Imagine a global infrastructure service that can search and identify all your collateral pools wherever you hold them. And then mobilise the right collateral to cover your exposures anywhere in the world, in any time zone.

Picture that infrastructure as a highway with multiple entry and exit points for collateral. Domestic CSDs, clearers and large agent banks bring their collateral pools onto the highway for their clients and leverage Euroclear’s relationships with central banks, CCPs and thousands of market participants engaged in bilateral financing deals. The right securities to be used as collateral in these deals are then transported automatically to where they are needed, ‘exiting’ the highway at the right location and time.

What you have just imagined is Euroclear’s global Collateral Highway, the first fully open global market infrastructure to source and mobilise collateral across borders and time zones. It has fired up the imagination of the financial industry worldwide – and with good reason.

• It provides market participants with rapid access to high-quality collateral at a time when liquidity is scarce
• It is open to all collateral takers, givers and intermediaries: CCPs, CSDs, central banks, supranationals, global and local custodians, investment and commercial banks – even our competitors
• It builds on Euroclear’s existing collateral management expertise and infrastructure – no need to re-invent the wheel
• Outsourced access can be offered by any financial institution currently without a collateral management service to their clients

Unprecedented need for collateral

The Collateral Highway concept tackles the problem of fragmented pools of collateral locked away in different entities, geographic locations and time zones. Until now, it has been difficult to centralise the management of these dislocated securities positions to serve as collateral for access to central bank liquidity, secured transactions (such as repos and securities loans) margins for CCPs and bilaterally cleared OTC derivative trades.

The Collateral Highway is a timely development. The need for rapid access to quality collateral has reached unprecedented levels. New regulations are pushing more secured borrowing and not enough of the right assets will be available to collateralise these and other transactions. The supply of securities eligible for use as collateral is finite and that pool is dwindling as the creditworthiness of certain government issuers is downgraded.

The only solution is to squeeze every last drop of usage from existing collateral.

The Collateral Highway is creating opportunities

The Collateral Highway helps our clients source and mobilise their collateral inventory rapidly, efficiently and optimally to meet multiple collateral obligations. We are all moving into unchartered territory but, as a long-established leader and innovator in collateral management, we feel we can add value by easing your collateral management burdens.

Much of our Collateral Highway infrastructure is already in place, giving us a strong foundation on which to build. Open Inventory Sourcing, for example, makes it possible to search and manage virtually all your fixed income and equities positions across a number of key markets.
Collateral traffic is already flowing

The key Collateral Highway users – central banks, CCPs, investment and commercial banks, securities lenders and corporate cash providers – are already clients of Euroclear Bank, either depositing their assets with us or specifically using our triparty collateral management services.

We are seeing substantial collateral flows – more than €830 billion daily – on the Collateral Highway and more users are joining regularly.

Our clients are attracted by the Collateral Highway’s full portfolio of services that aid liquidity management. These include:

- GC Access, a service that enables you to borrow high-quality assets to meet your regulatory demands,
- €GCPlus, a centrally-cleared service for triparty repo in collaboration with Banque de France and LCH.Clearnet, and
- we are actively supporting clients with triparty services with their cross-border Eurosystem funding operations.

The open and collaborative aspects of the Collateral Highway are attracting major financial institutions worldwide. BNP Paribas Securities Services enables mutual clients to use assets held with them as collateral on the Collateral Highway when supported by Euroclear Bank’s triparty services.

Another example is the cross-border collateral sourcing and allocation agreement put in place with the Hong Kong Monetary Authority (HKMA) to develop the repo market in Hong Kong.

Harnessing technology

Our powerful AutoSelect collateral allocation system uses an algorithm capable of searching millions of securities positions held in hundreds of collateral giver accounts that match the complex criteria of collateral takers. With AutoSelect, we can identify eligible assets wherever they are held and move them automatically to cover exposures from multiple transactions and counterparties.
What the industry is saying

“The launch of the cross-border collateral service is a timely and effective solution for the market. It will facilitate the expansion of cross-market renminbi funding activities through the cross-border collateral management arrangement, and will further strengthen Hong Kong’s role as the global hub for offshore renminbi business.”

Peter Pang, Deputy Chief Executive of the HKMA

“This type of partnership is key for both organisations. It will offer even greater optimisation of collateral to our mutual clients by accessing the Euroclear Bank triparty platform via the Collateral Highway – in addition to BNP Paribas’ in-house collateral management offer.”

Alain Pochet, Head of Clearing, Settlement and Custody at BNP Paribas Securities Services

Join the conversation

The Collateral Highway is open to all. Your view is important, so please feel free to contact us to share your observations and for more detailed information on how we may support your business. Collateral givers, takers and intermediaries are equally welcome.

Contact us

Olivier de Schaeztzen,
Director, Product Solutions, Global Markets
olivier.deschaetzen@euroclear.com
Tel: +32 (0)2 326 2884