



*Post-trade made easy*

# Non-cleared OTC derivatives

Preparing for a new era



## Are you OTC derivatives compliant?

Euroclear gives you a solution that meets the BCBS IOSCO WGMR requirements for mandatory collateral segregation and control requirements:

Initial margin (IM) should be exchanged on a gross basis

IM should be held in such a way that:

- IM is immediately available to the collecting party in event of CP's default
- The posting party is protected in the event that the collecting party enters bankruptcy

## Proven solutions for new standards

*Our existing collateral management solutions and global network are already helping banks to manage their derivative exposures across market segments.*

As we move to a more transparent and robust OTC derivatives trading framework globally, there will be new standards for margin requirements for non-centrally cleared derivatives transactions.

Although the changes have been anticipated by the industry, the timetable for the completion of the new regulatory framework – based on principles drafted by the Basel Committee and IOSCO – offers little time to prepare. Firms that must meet the new requirements by September 2016 need solutions that are proven and offer compliance and efficiency.

Banks and brokers must ensure their margin and collateral management processes are sufficiently well co-ordinated to exchange initial and variation margin in accordance with the new regulatory requirements.

A co-ordinated, and more holistic approach must be adopted across previously separately managed units to ensure initial margin can be exchanged on a gross basis to deliver maximum efficiency and protection to both counterparties in the event of default or bankruptcy. But, time is tight. Many firms' first priority is compliance, on a scalable, cost-effective basis. A proven supplier that brings these qualities is unique.

Euroclear's modular OTC derivatives margining offering lets you design a solution to fit your precise needs. What is more, our solution is already proven in the market and it meets mandatory collateral segregation and control requirements on both a bilateral and triparty basis. Our approach, based on processes tried and tested in the securities financing world, leverages our wider network and capabilities to provide unprecedented access to collateral globally.

*Our modular OTC derivatives margining solutions meet mandatory collateral segregation and control requirements on both a bilateral and triparty basis.*

## Easing the compliance burden

Euroclear's collateral processing, control and segregation capabilities for OTC derivatives margining is based on proven processes. Banks and brokers can leverage one of the world's largest collateral ecosystems for scale and reliability in addition to our customisable solution.

The high levels of asset protection and monitoring required when posting initial margin under new rules for non-centrally cleared OTC derivatives can be achieved by leveraging our established expertise and capabilities as a collateral triparty agent.

Honed in the repo and securities lending markets, we offer margin and collateral management, and reporting, as well as dedicated account structures that offer full asset segregation and control, for OTC derivatives margining purposes.

### **Flexibility**

Our modular approach supports margin and collateral management on a bilateral or triparty basis.

### **Safety**

For firms keen to ensure compliance, we provide third-party account control, placing collateral exchanged bilaterally between trading counterparties in a segregated account in the name of a neutral third-party.

We make sure you meet the BCBS and IOSCO mandatory collateral segregation and control requirements. We make the initial margin immediately available to the collecting party in event of a counterparty default. At the same time the party posting margin is protected from a collecting party bankruptcy.

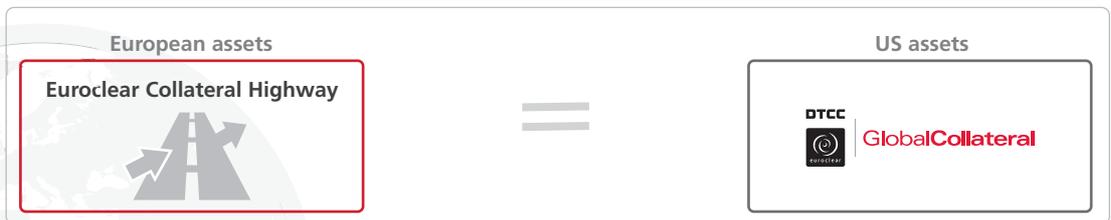
### **Control**

Firms looking for margin and collateral reporting, allocation and monitoring support can use our neutral collateral management agent services for further asset protection and support in the event of a default. Our third-party pledge holder solution ensures strict control of collateral margin that is easy to implement and fully compliant.

The new rules increase demand for scarce, high quality, collateral, but Euroclear's existing combination of global network and capabilities can help clients optimise resources across exposures, locations and asset classes:

- €1 trillion in assets mobilised as collateral on a daily basis
- Unrivalled range of counterparties, covering all major central banks, supranationals, sell-side and buy-side firms
- Access to deep liquidity pool via our Collateral Highway capabilities and partnerships
- Mobilisation of domestic assets via Open Inventory Sourcing
- Connectivity with one of the largest global networks, including the US, via DTCC-Euroclear GlobalCollateral Ltd.

### Holistic global derivatives solution for European and US assets



### Regulatory compliant and seamless US and European pool connectivity with full settlement and segregation services



DTCC-Euroclear GlobalCollateral Ltd is an industry utility that offers you an easy route from compliance to a strategic end-state derivatives model for US assets.

By leveraging Euroclear's Collateral Highway and GlobalCollateral's OTC Derivatives solution, you can strategically optimize your collateral management processes while achieving regulatory compliance, at a pace that is appropriate to your internal capacity and timescales.

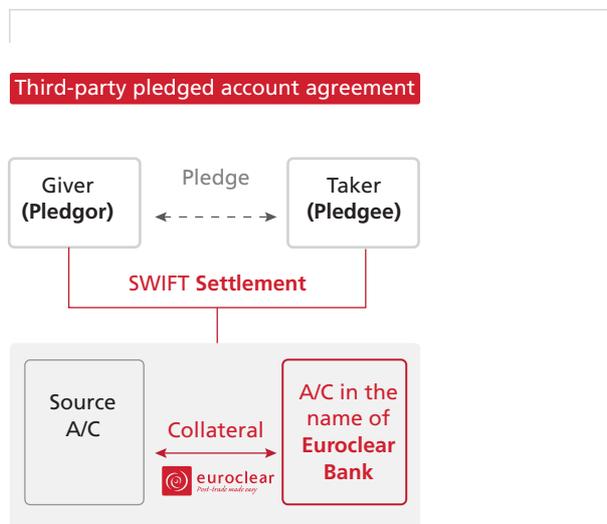
# Holistic solutions, modular delivery

Euroclear’s OTC derivatives margin and collateral management solutions offer different levels of protection, control and functionality according to the needs, priorities and existing resources of clients. We also make sure you are compliant with the BCBS and IOSCO mandatory collateral segregation and control requirements.

From both the pledgee/collateral taker’s and pledgor/collateral giver’s perspective, we provide the ideal marketplace for holding, delivering/receiving and allocating optimal eligible collateral for OTC derivatives margining purposes, offering both access to a wide range of counterparties and scalable, legally enforceable segregation services.

These are fully supported by monitoring and reporting tools – to provide full transparency and to facilitate collateral optimisation – as well as Euroclear’s suite of supporting services and global capabilities.

## Third-party account control

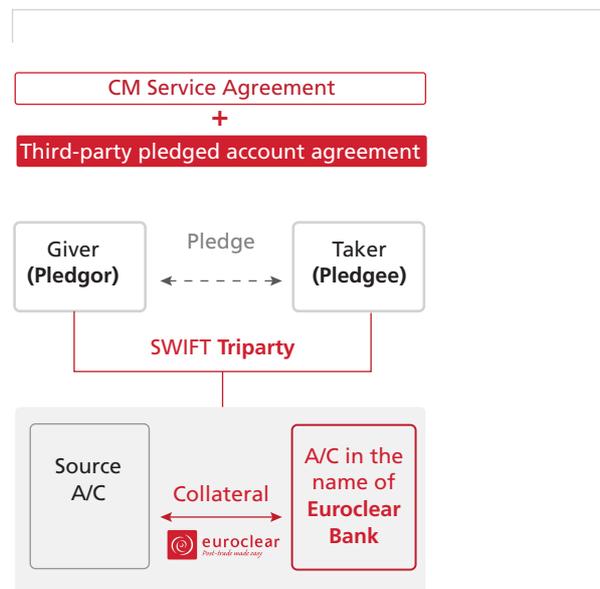


**You need:** To settle and segregate your assets on a bilateral basis as margin for non-centrally cleared derivatives transactions.

**Our solution:** We can hold collateral in a segregated account as a neutral third-party pledge holder. This means assets cannot be used for any other purposes by the pledgee and can only leave the account by returning to the pledgor.

Settlement takes place in a Securities Settlement System using standard SWIFT settlement messages and standard settlement reporting. The collateral is securely ring-fenced in-line with regulatory requirements and is serviced by a neutral party (not a custodian acting on behalf of a counterparty).

## Triparty and account control



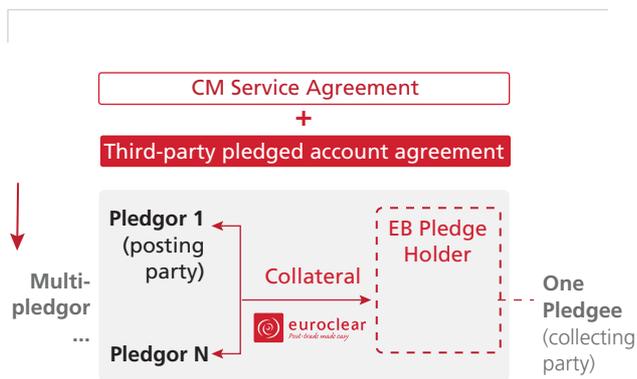
**You need:** To settle and segregate your assets on a bilateral basis as margin for non-centrally cleared derivatives transactions as well as margin and collateral reporting allocation, monitoring and support.

**Our solution:** Our segregated triparty solution gives you access to both a neutral third-party pledge holder and neutral collateral agent.

This solution provides segregation, control and additional levels of collateral optimisation for efficient mobilisation of assets (including allocation and substitution), using standard triparty instruction messaging (SWIFT MT 527), monitoring and reporting.

The solution provides for the orderly management in the event of a default.

### Multi-pledgor account structure



**You need:** To receive collateral from multiple counterparts.

**Our solution:** Our multipledgor structure is segregated and allows efficient, streamlined management of collateral for margin purposes.

This structure is supported by a collateral management service agreement. The third-party pledge-holder account accepts collateral from multiple pledgors while keeping the relevant level of segregation for your collateral.

*You can leverage our longstanding expertise and global capabilities to benefit from the security, control and peace of mind you need to comply with the new OTC derivatives margining frameworks.*

# Why choose Euroclear?

Together with central clearing of OTC derivatives coming into force, the new margining rules for non-centrally cleared OTC derivatives will impact a wide range of derivatives users from September 2016.

Posting, holding and segregating collateral to support non-centrally cleared transactions in compliance with evolving regulatory requirements is a major operational challenge for market participants at a time of uncertainty and resource constraints.

You can leverage our longstanding expertise and global collateral management capabilities to benefit from security, control and peace of mind to firms that need to ensure compliance with the new framework in a cost-effective manner that optimises available assets and resources.

## Control and segregation

Collateral is protected using tried, tested and legally enforceable processes, built on Euroclear's robust, reliable market infrastructure.

## Neutrality

As a leading triparty collateral agent and market infrastructure, Euroclear has developed the expertise and structures to serve and protect counterparties at all stages of the transaction lifecycle.

## Seamless, efficient collateral management

Users may optimise collateral for margin and other purposes on a holistic basis, potentially by leveraging existing use of Euroclear services, eg. triparty repo services.

## Global scale and reach

Euroclear offers the world's largest asset pool and an expanding range counterparties and clients, within Europe and beyond, our own network,

its Collateral Highway initiative, to mobilise securities and satisfy your collateral obligations.

## Industry collaboration

Euroclear is working with clients, partners and market infrastructures globally to improve access to collateral, notably via GlobalCollateral, our joint venture with the DTCC, which offers both liquidity access and functionality for enhanced control and oversight.

## Security

Euroclear is an operationally robust, resilient and financially secure partner, which supports movement of €1 trillion in assets mobilised as collateral on a daily basis. We also have 20+ years' experience in collateral management.

More information: [euroclear.com](http://euroclear.com)

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