

DTCC



GlobalCollateral



GlobalCollateral for OTC Derivatives

Delivering a step change in efficiency

For derivatives users, our platform delivers the step change in operational efficiency needed to adapt to a new regulatory era.

Through automation, standardization, centralization and transparency, it creates simplicity from complexity, freeing market participants to focus on their businesses.

It is a robust and scalable industry solution, brought to you by GlobalCollateral Ltd., a DTCC-Euroclear joint venture.



Getting fit for the new regulatory era

The rising tide of financial regulation is challenging the way that derivatives markets operate. By assuring that derivative trades are backed by margin collateral, regulators are successfully building greater resilience and trust. But at the same time, they are presenting market participants with the formidable operational task of preparing for this future.

Reforms like the Dodd-Frank act, the European Market Infrastructure Regulation (EMIR) and BCBS-IOSCO for non-cleared derivatives mean that many counterparties will need to post initial margin (IM), and all will need to post variation margin (VM). This is in addition to other changes, such as ISDA's Standard Credit Support Annex (CSA) documentation, which are also increasing the volume of margin calls.

According to estimates, the volume of margin calls in the OTC derivatives market is expected to jump significantly – by as much as 500% to 1,000%¹. Meanwhile, regulatory technical standards are also making collateral monitoring more complex. They are introducing new haircuts, thresholds and account structures for both bilateral trades and trades cleared through central counterparty clearing houses (CCPs).

Reduce margin calls and collateral processing risks

Many firms are still using manual processes and spreadsheets which will not be sustainable in this new regulatory era. Manual processes will inevitably lead to trade fails and bottlenecks, as well as high collateral costs. Greater automation is the key: it will reduce margin call and collateral processing risks while keeping costs under control. It will allow market participants to focus on their core businesses, not their operations.

¹ Taking Action on Collateral, Finadium & DTCC-Euroclear GlobalCollateral Ltd.

Four transformational benefits

New regulations require nothing less than a revolution in operational efficiency. This is what GlobalCollateral Ltd delivers through four revolutionary benefits.

Combined, these benefits not only speed up the velocity of margin processing, but also boost the mobility of assets for use as collateral and the operational efficiency. Both buy-side and sell-side firms gain the capabilities they need to operate in the new environment.

Furthermore, greater visibility gives real-time reporting on margin calls and collateral settlements and balances, enhancing liquidity efficiency and reducing funding costs. Collateral is deployed optimally, with automated allocation, as well as streamlined substitution and withdrawals. Additionally, risk of all types – whether counterparty, operational and/or cyber – is reduced.



Visibility

Real-time reporting on margin calls and collateral

- Collateral managers, risk managers and portfolio managers can easily view margin calls and collateral settlement status details in one place
- For the buy-side, updated aggregated record keeping of margin calls and related collateral settled balances
- For the sell-side, settlement notifications tied to individual calls, giving visibility into which movement corresponds with which call
- For custodians, consolidated settlement reporting, facilitating response to client queries
- For all, collateral statements and reporting highlighting all the details of the collateral positions for proper monitoring.



Efficiency

Open, scalable and harmonized operational environment

- Open architecture allows connectivity with messaging providers (AcadiaSoft, SSI, SWIFT, Protocol), automating settlement and so both reducing fails and enhancing scalability
- Real-time collateral processing, enhancing credit efficiency and reducing funding costs
- Less time spent researching status updates, freeing more time to resolve fails
- Centralized location for the maintenance of increasingly complex collateral profiles
- Improved processing for accounts with third-party control requirements
- Access to global reach of sell-side/buy-side counterparties and CCPs
- More efficient process with consistent SWIFT messaging to all parties involved in the collateral management chain
- Common identifiers across counterparties facilitating fail resolution, consolidated settlement reporting facilitating response to client enquiries.



Security

Risk-controlled environment, backed by experience, robustness and scalability of DTCC and Euroclear.

- Consolidated view of margin calls and collateral enables more efficient management of counterparty risk
- For the buy-side, knowledge that your collateral has been received and your security interest in the collateral has been protected
- DTCC infrastructure ensures state-of-the-art Disaster Recovery and data security
- Continuous settlement throughout settlement day allows for intra-day posting of margin collateral, while reducing intra-day credit needs.



Mobility

Streamlined asset allocation and substitution process

- Global view of total collateral pools facilitates deployment of collateral
- Real-time processing will allow fast collateralization of derivatives exposures
- Streamlined withdrawal and substitution processes will allow for greater mobility and optimization of eligible collateral
- Linking of DTC and Euroclear Bank gives access to a global pool of securities and streamlined cross-border delivery of collateral.

Streamlining margin calls and collateral processing every step of the way

Our unique derivatives platform introduces the scale that firms need to comply with regulatory reforms. Through automation, standardization, centralization and transparency, it seamlessly settles any margin, streamlining what was previously a highly fragmented and manual process. It is a straight-through solution available to all market participants for real-time margin and collateral processing of all asset types – whether cash or securities, in any settlement location.

Within the post-trade processing chain, our platform plugs the gap between upstream trade confirmation/exposure calculation activities and downstream settlement activities. Firms can adapt the GlobalCollateral solution to their requirements, gaining from the flexibility of its six services. These services are: collateral eligibility, collateral monitoring, automated collateral operations, collateral settlement, segregation, real-time reporting on margin calls and collateral.



Our derivatives solution brings together GlobalCollateral's core components, the **Margin Transit Utility (MTU)** and **Collateral Management Utility (CMU)**. The MTU is a comprehensive, straight-through processing solution for streamlining the processing and settlement of margin calls and collateral. The CMU is a global infrastructure delivering a full range of collateral sourcing, processing, monitoring and reporting services to a large ecosystem of market participants—in a harmonized way, across exposure types, regions and asset classes. These two utilities are powerful on their own. But together they offer an end-to-end solution that transforms derivatives margin processing and inventory management every step of the way. Whether you are an asset manager, broker-dealer, custodian or CCP you can access the platform through whichever component that suits your operational needs.

Anticipating the industry's changing needs

Who better to offer a solution to the industry's operational challenge than DTCC and Euroclear, the joint-venture partners behind GlobalCollateral? We draw from our parent companies' expertise and strong track record of processing large volumes of time-critical transactions in a highly-regulated environment. And as DTCC and Euroclear are both industry-owned and governed, we are able to take a long-term view when making the significant technology investments needed in our business.

Our open infrastructure is enabling the market ecosystem to adapt to the operational challenges brought about by the changing capital markets. We are in constant dialogue with the industry through our advisory groups, which have a combined membership of 17 dealers, eight custodians, three CCPs and more than 30 buy-side firms.

Working with our stakeholders, GlobalCollateral has built an open platform that addresses the need to post collateral in the new regulatory environment and offers a more efficient funding platform that lowers the cost of security financing. We intend to continually evolve our capabilities to keep pace with changing market practices.

Speak to us and discover the opportunities our infrastructure offers for improving collateral efficiency while minimizing risk.

For more information, visit www.globalcollateral.net.
To arrange a meeting, please contact

Ted Leveroni

tleveroni@dtcc.com

or

Joyce Thormann

joyce.thormann@euroclear.com

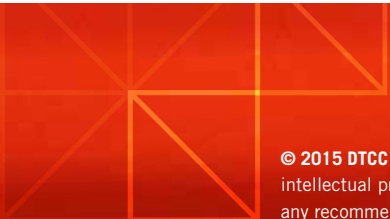


About DTCC:

With over 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 16 countries, DTCC, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers worldwide. User owned and industry governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management and information services across asset classes, bringing increased security and soundness to the financial markets. In 2014, DTCC's subsidiaries processed securities transactions valued at approximately US\$1.6 quadrillion. Its depository provides custody and asset servicing for securities issues from over 130 countries and territories valued at US\$64 trillion. DTCC's global trade repository maintains approximately 40 million open OTC positions and processes roughly 280 million messages a week. To learn more, please visit www.dtcc.com or follow us on Twitter @The_DTCC.

About Euroclear:

Euroclear is one of the world's largest providers of domestic and cross-border settlement and related services for bond, equity, ETF and mutual fund transactions. Euroclear is a proven, resilient capital market infrastructure committed to delivering risk-mitigation, automation and efficiency at scale for its global client franchise. The Euroclear group includes Euroclear Bank - which is rated AA+ by Fitch Ratings and AA by Standard & Poor's - as well as Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland. The Euroclear group settled the equivalent of EUR 634 trillion in securities transactions in 2014, representing 182 million domestic and cross-border transactions, and held almost EUR 26 trillion in assets for clients. Visit www.euroclear.com.



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