

X-pand into the Future



ECB conference on market infrastructures' business continuity in an integrated euro area

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Business Continuity for Securities Settlement
Systems and Collateral Management

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Functional cornerstones in business continuity for CCP

- **Ultimate goal**
 - Safe and continuous provision of CCP services to market participants under adverse conditions and in the face of unexpected events and disasters
 - Minimized impact to customers and markets to the greatest extent
- **Contingency Facilities**
 - Redundant backup equipment to allow data processing and communications to related interfaces (e.g. at Eurex Clearing; hot stand-by)
 - Crisis management to facilitate the timely reaction to incidents and to ensure proper assessment of the business impact and decision making
 - Provision of a safe contingency back-up data center combined with an uninterruptible power supply
- **Capacity Planning**
 - Capacity management process to enable the economic and effective use of existing and future resources

Demand outside CCP

- To exchanges / execution flow providers
 - If alternative trading liquidity can be provided low requirements otherwise high requirements to ensure opportunity of an adequate default management
 - To settlement layer
 - Medium requirements if continuous margin is applied
 - To custodian layer (CSD or Custodian Banks)
 - Extreme high requirements to ensure management of collateral margin
 - Multiple custodian relationship management can ensure an automated back-up solution
 - To central bank or correspondent bank layer
 - Extreme high requirements to ensure management of cash margin (initial and variation)
 - Multi-currency and/or alternative payment procedure can support business continuity
 - Communication Network
 - High requirements to ensure communication with market participants
 - Back-up vendors or multi network solution can reduce dependency
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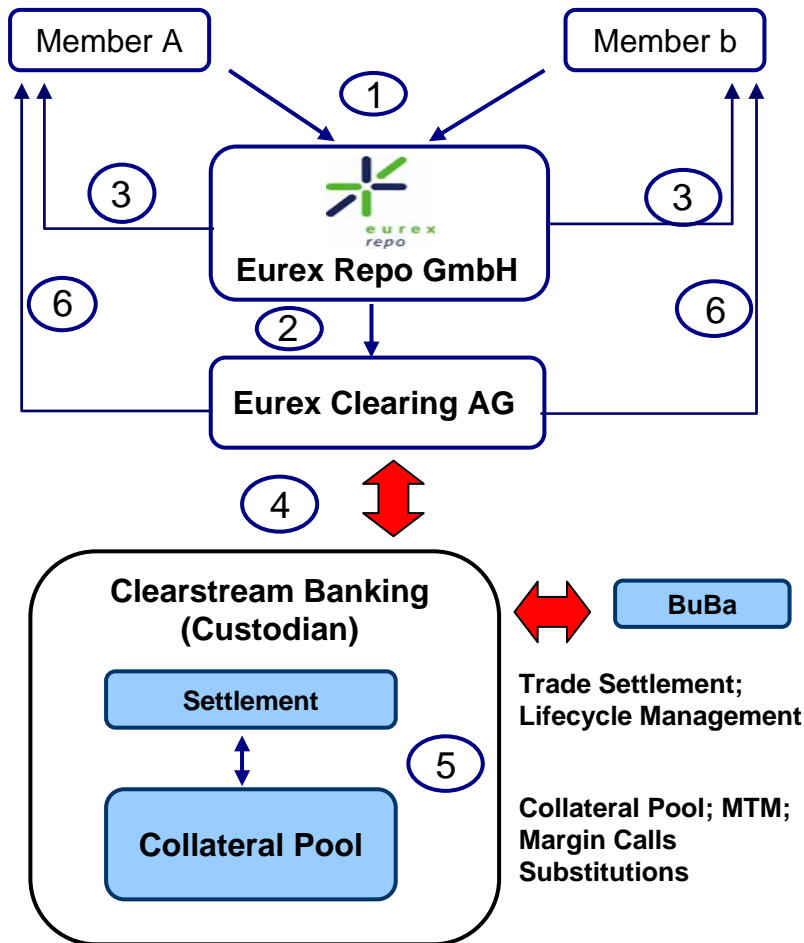
Business Continuity requirements of a CCP to the Custody and Payment layer

Example: GC Pooling

Euro General Collateral (GC) Pooling is a product

- which offers the selection of a collateral “basket” containing ca. 8,000 ECB-eligible German Fixed Income securities
- delivers added value by combining the cash and collateralised funding
- Answer to market demand of collateral solutions with intelligent clearing and collateral management functionalities
- To reusability of received assets to provide greater liquidity

Value Chain: Euro GC Pooling



High dependency on

- collateral management services provided by the custodian
- cash settlement services provided by the central bank

1. Contract details has been agreed and signed between CCP Eurex Clearing and Members
2. Eurex Repo transfers trading details to Eurex Clearing
3. Eurex Repo sends confirmation to involved parties
4. Eurex Clearing transfers settlement instructions to Clearstream Banking
5. Complete collateral deposit and management at Clearstream Banking
6. Eurex Clearing sends settlement confirmations to involved parties

Business Continuity demands of a CCP to the Custody and Payment layer

Example: GC Pooling

- ➔ CCP core services are deeply interlinked to:
 - ➔ Custodian provider (Clearstream Banking)
 - ➔ Settlement provider (Clearstream Banking)
 - ➔ Central bank (Bundesbank)

- ➔ and lead to high demand of business continuity management between the CCP and the related layers