

Strictly private and confidential



# ALMA Masterclass Introduction to repo markets

June 2023

In partnership with:

clearstream

DEUTSCHE BÖRSE  
GROUP

treasuryspring.com



# Your speakers



**Kevin Cook**

CEO – TreasurySpring



**Henry Adams**

CPO – TreasurySpring



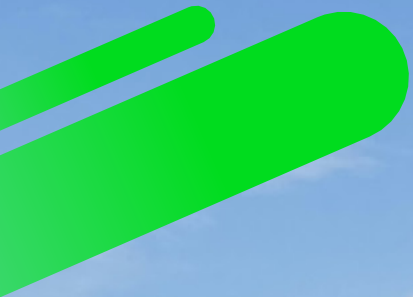
**Stephen Lethaby**

Senior VP – Clearstream



# Agenda

- Introduction to cash markets
- Benefits of security
- Introduction to repo
- Triparty for treasurers
- Repo tech and innovation
- Q&A







# Introduction to cash markets



# Benefits of security



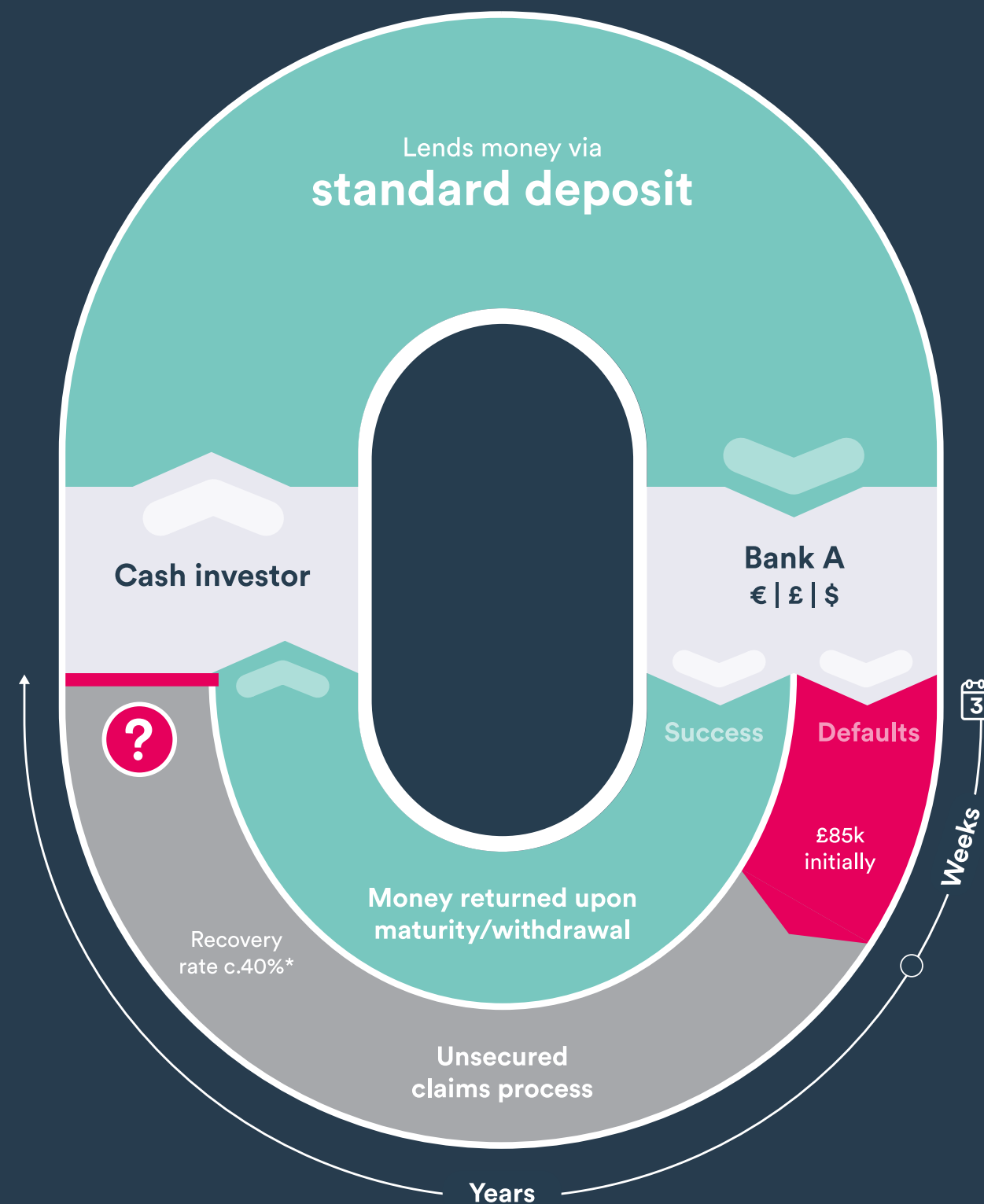


# A familiar challenge

	Term deposits	Prime MMFs
Investment benefits		Regulated fund
		Diversified
	Maturity matched	Overnight liquidity
	Certainty of yield	Moderate tiered fees
Investment drawbacks	Concentrated financial risk	Largely correlated financial exposure
	Unsecured exposure	Mostly unsecured risk
	Lack of transparency	Liquidity fees and gates
		Unstable structure

# Unsecured exposure (deposit)

When a default occurs, the investor will be forced to go to the unsecured claims market when the bank goes through administration. On average, receiving 40% of their initial deposit back in 6 months time!





# Introduction to repo





# Secured exposure

## Repurchase agreement ('Repo')

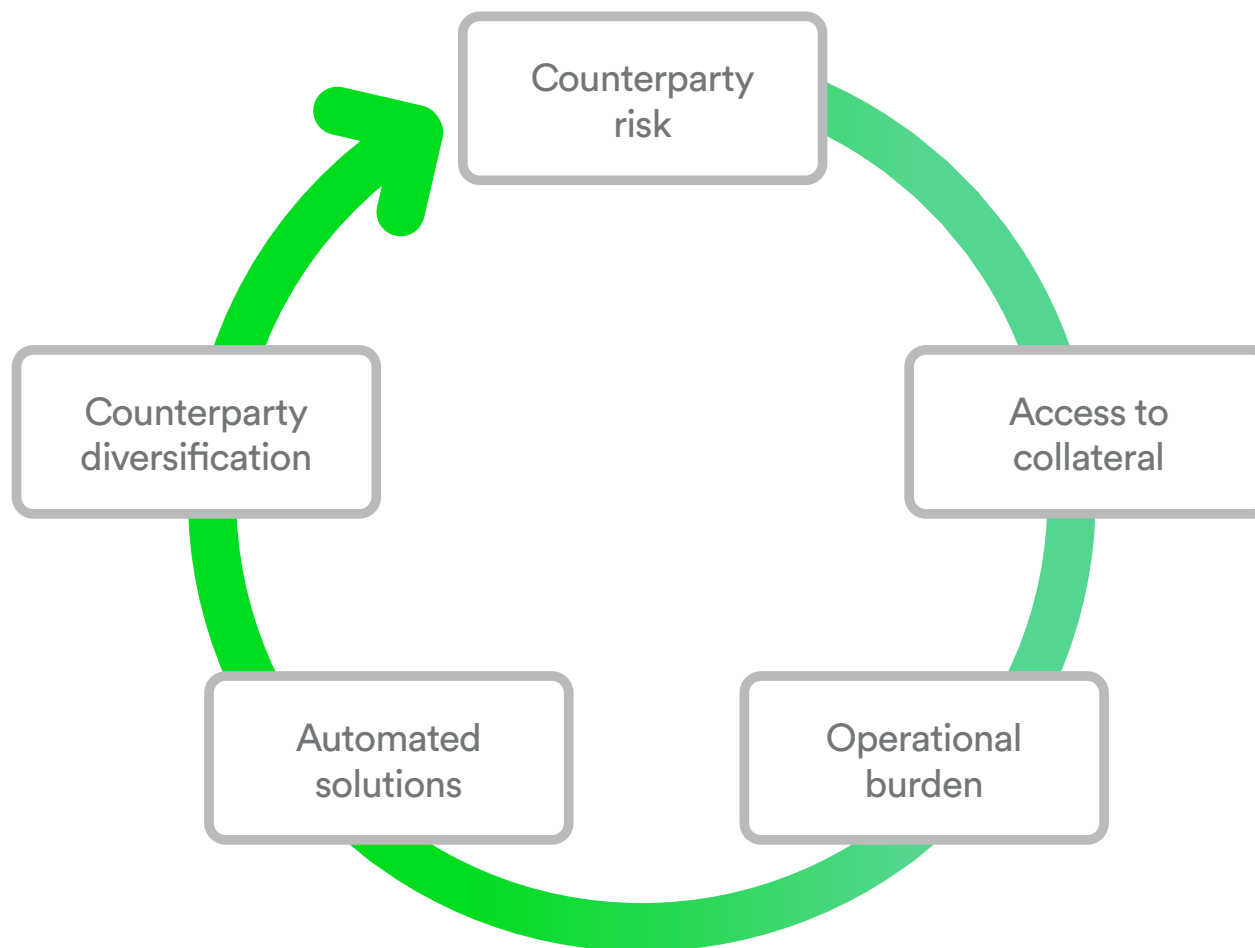
Repo are a form of money market instrument and is the abbreviated term for 'repurchase agreement'.

A repo (or reverse repo) transaction sees a counterparty sell securities and agree to buy them back at a pre-determined date.

If ever a default occurs, the basket of debt assets are liquidated and sent back to the client as cash. With the client typically left in a considerably better position minimising any unsecured claim and sometimes in excess of monies lent, within 7 days.



# Why is collateral important to Treasurers?



- ✓ Reduction of unsecured activities
- ✓ Threat of bail-in risk
- ✓ Money market fund reform
- ✓ Potential reuse of collateral if within the triparty system
- ✓ Basel III and the evolving needs of financial institutions





DEUTSCHE BÖRSE  
GROUP

# Triparty for treasury

BTCUSD - 9203.20

22:48:45

9203.20 19.74 (0)

9203.32x0.04128944

9209.47x0.01

9122....

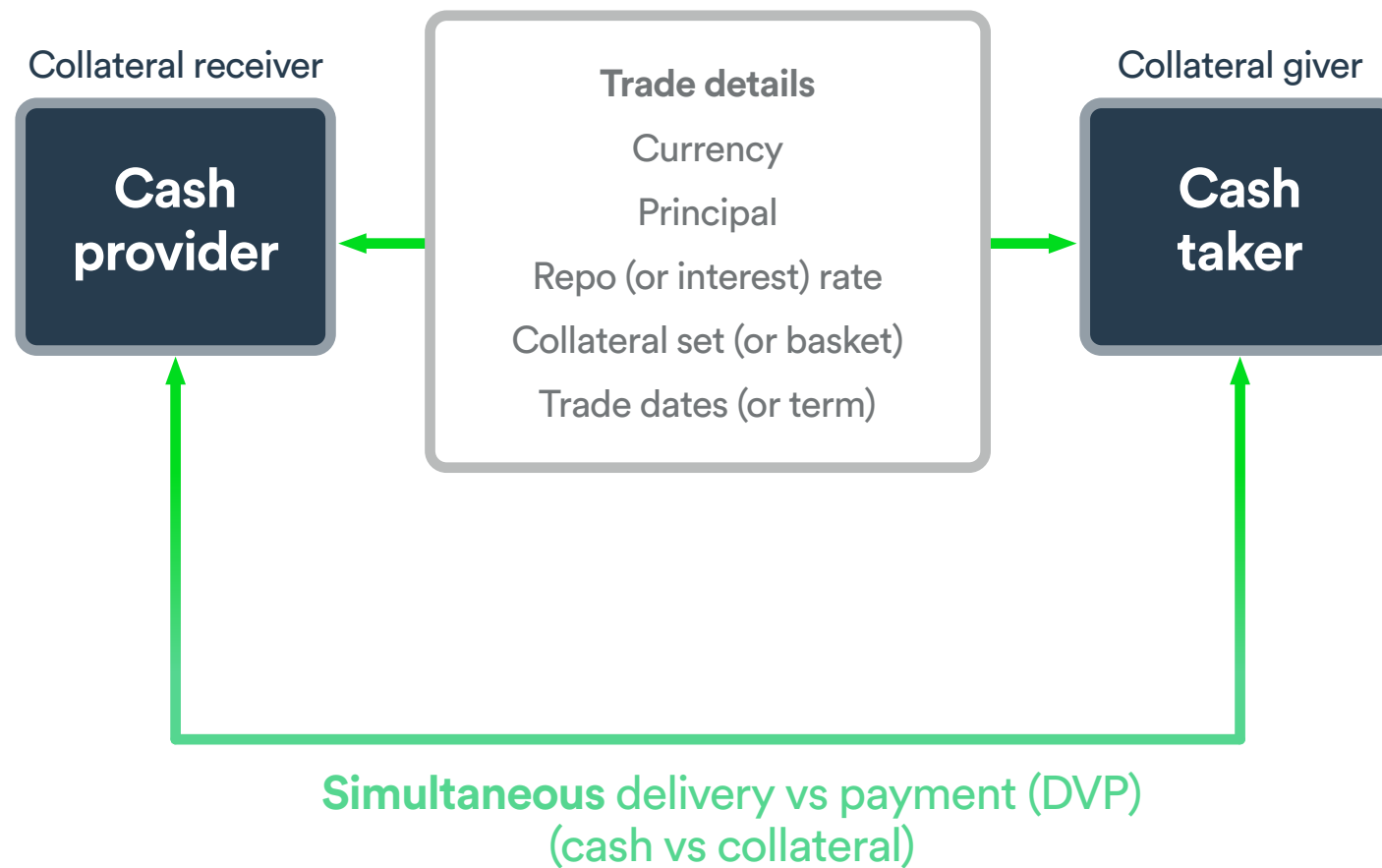
Day's Range

SELL

Technical analysis

More

# What are triparty repos?



## Core features of a triparty repo:

- ✓ Both parties appoint a third-party collateral management agenda
- ✓ Trade terms agreed bilaterally
- ✓ Clearstream as triparty agent screens and selects collateral
- ✓ Segregation of assets into cash provider account



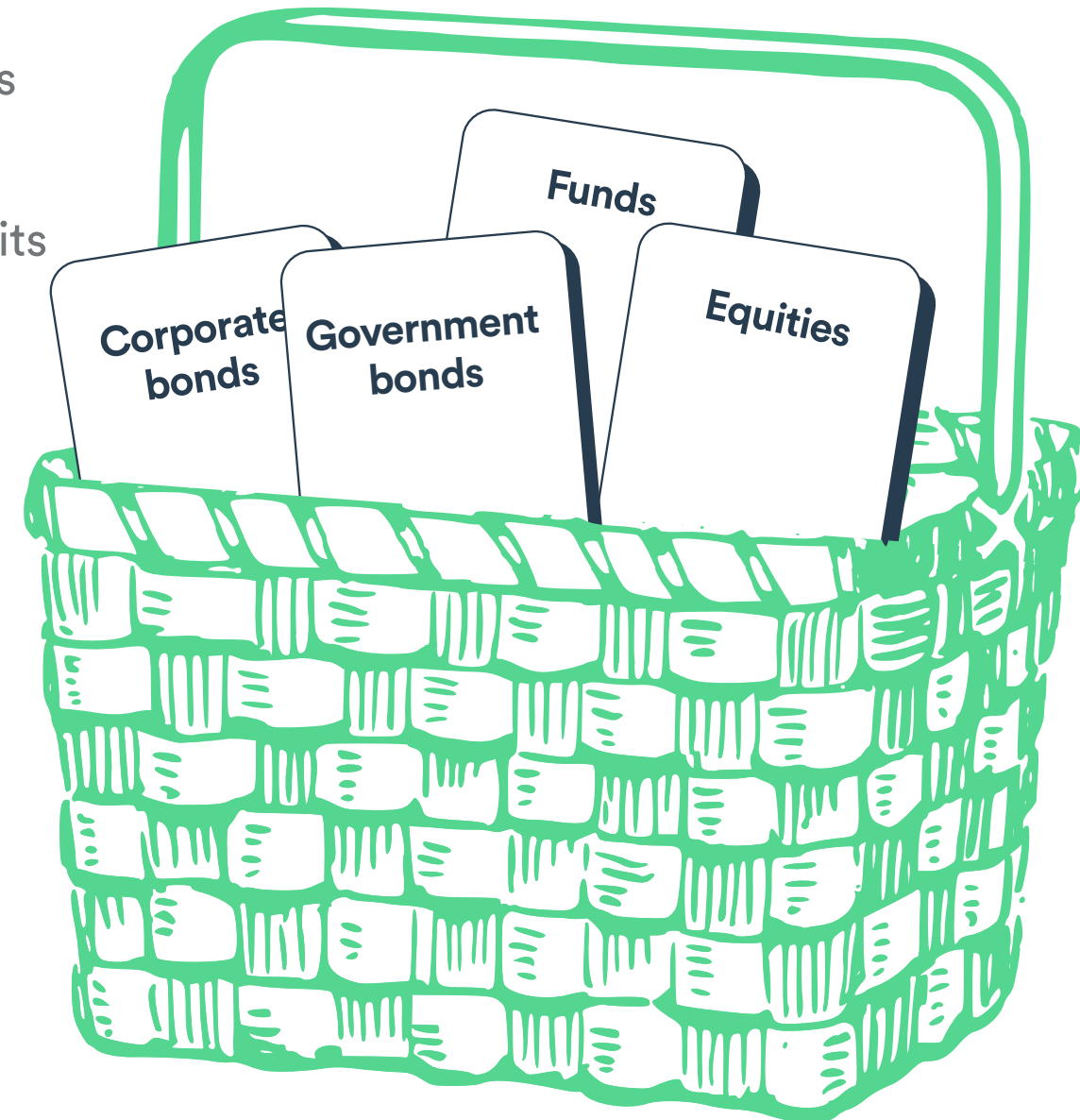
# What type of securities are eligible?

## How to set up a basket of collateral:

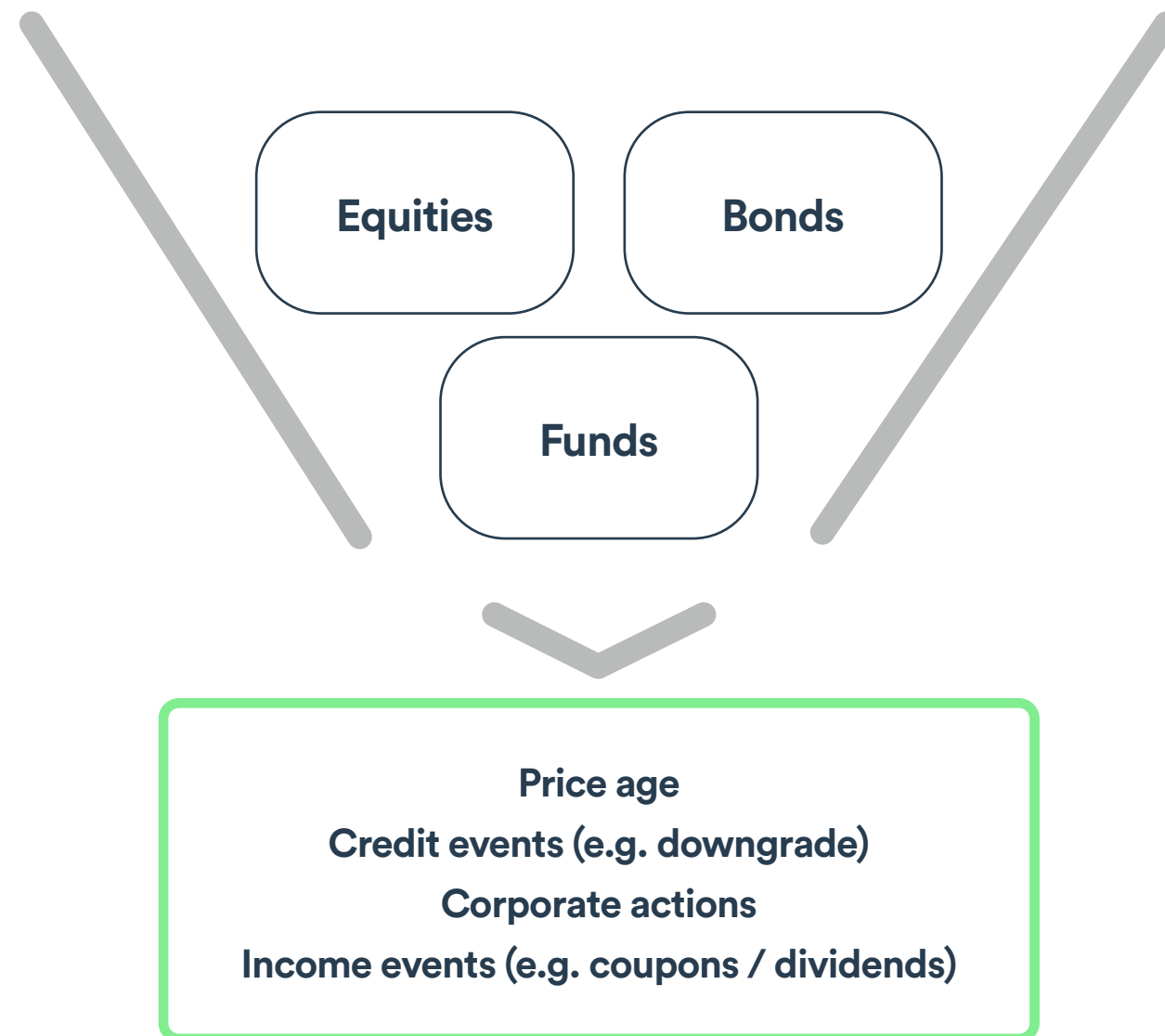
- Only select the assets that fit your risk appetite (SLY)
- Set up single basket or multiple baskets to cover different investment scenarios
- Daily mark-to-market of assets
- Daily eligible monitoring

## Security, Liquidity, Yield (SLY)

- Credit ratings
- Countries / indices
- Currencies
- Concentration limits
- Price age
- ...and more



# What is eligibility monitoring?



## The technology behind a triparty agent:



Granular eligibility screening



Substitution processing in the event that any asset becomes ineligible



Valuation of assets using latest prices



Automatic trigger of margin calls for top-ups or withdrawals



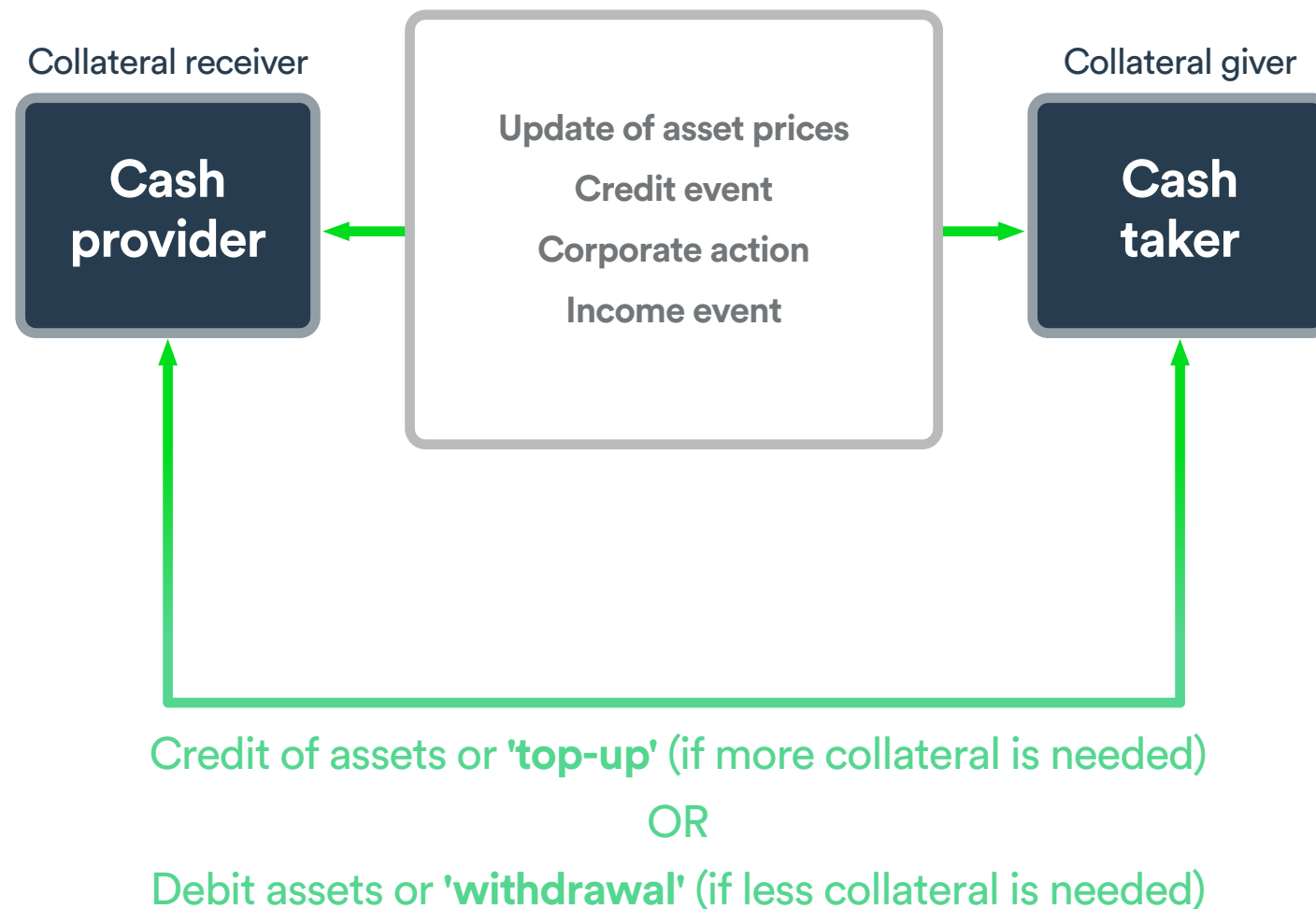
# What are 'haircuts'?



Haircuts or 'margin' provide additional protection against changes in asset prices:

- Are generally accepted in triparty repo
- Are normally assessed in % terms
- Can be set differently per asset class
- Haircuts protect you in the event that asset prices fall

# How do margin calls work?



Margin calls effectively ensure that sufficient collateral is posted as underlying values of instruments move:

- ✓ Triggered by specific event or change in asset value
- ✓ Clearstream automatically calls for margin depending on whether a deficit or surplus exists
- ✓ Immediate credit/debit as applicable



# Rates and repo Europe

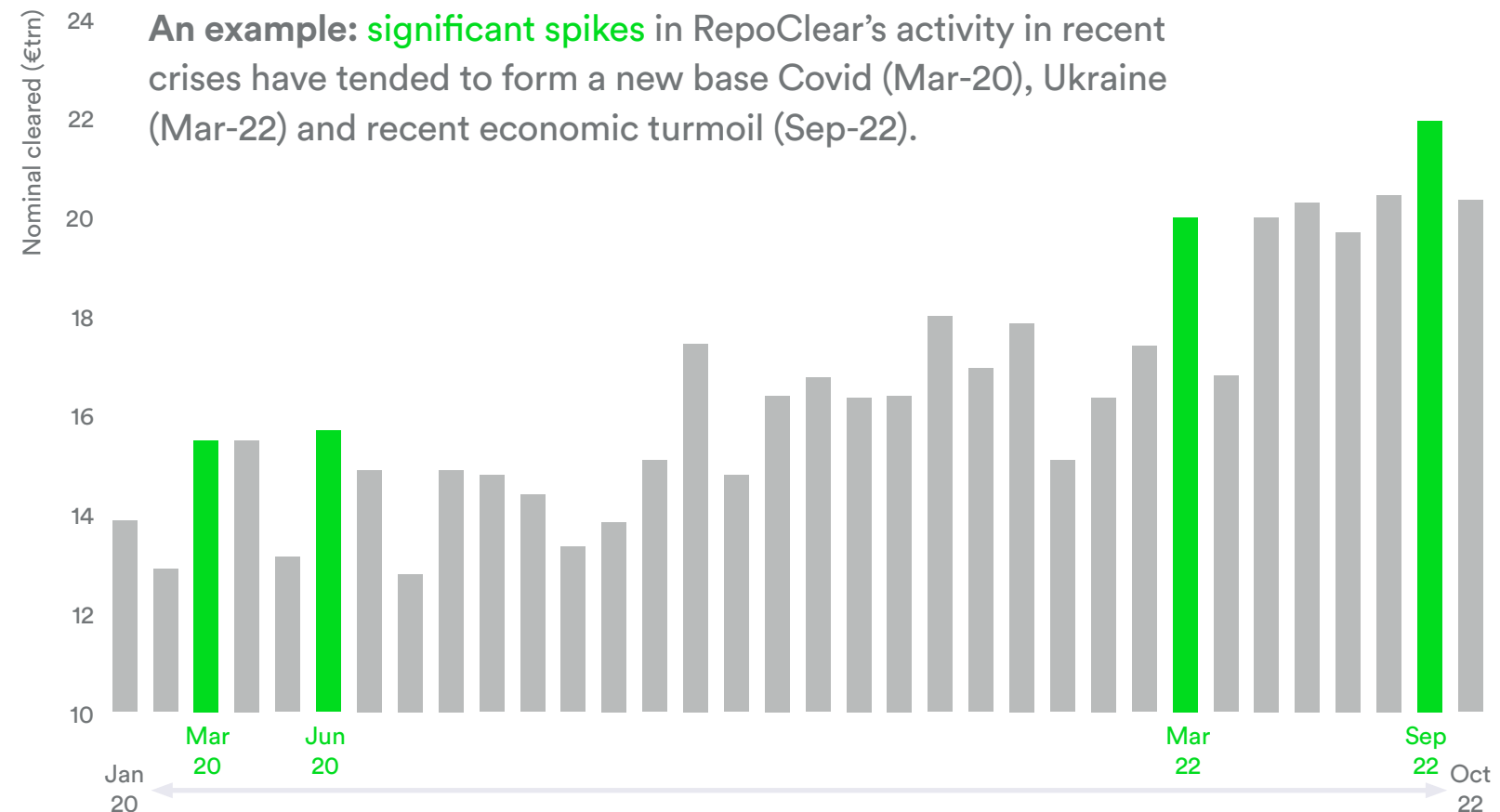
## Unprecedented volatility makes reliable liquidity essential

**Major shocks:** COVID, Ukraine, UK “Mini” Budget, USA-China tension, tightening monetary policies, mini banking crisis.

Clearing volumes increased as a result of volatility and market participants adjusting positions and behaviours.

**In turbulent times, market users need:**

- Predictability
- Robust risk management
- Resilience
- Reliable and stable liquidity



# Repo tech and innovations in 2023



# A better way

Being short of time, doesn't have to mean being short of options. Our platform enables you to manage cash like a market-leader, with minimal effort.

TreasurySpring offer simple digital access to money market products that a client is not able to acquire through its existing infrastructure, enabling it to minimise risk and maximise return through a single onboarding.

Clients we're privileged to work with



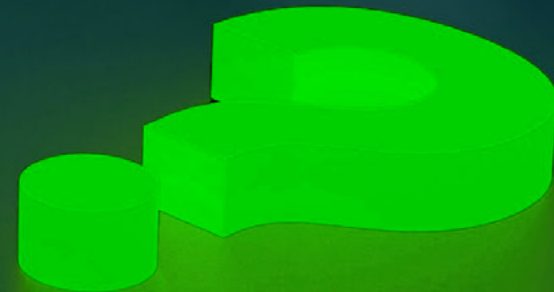
And some of our notable bank issuers



	Term deposits	Prime MMFs	Platform
Investment benefits			Regulated fund
			Secured exposures
			Choice of risk and certainty of yield
		Regulated fund	Maturity matched
		Diversified	Single onboarding
	Maturity matched	Overnight liquidity	Low and transparent fees
Investment drawbacks	Certainty of yield	Moderate tiered fees	Transferable
	Concentrated financial risk	Largely correlated financial exposure	
	Unsecured exposure	Mostly unsecured risk	
	Lack of transparency	Liquidity fees and gates	
		Unstable structure	



**Any  
questions?**



# Want to know more?



[treasuryspring.com](https://treasuryspring.com)



#### Thomas House

84 Eccleston Square  
London, SW1V 1PX

T: +44 203 488 1701

W: [treasuryspring.com](https://treasuryspring.com)

#### Ordnance House

31 Pier Road, St Helier,  
Jersey JE4 8PW

T: +44 1534 825259

W: [treasuryspring.com](https://treasuryspring.com)

This document has been prepared by TreasurySpring Advisors Limited (company number 11641312) (“TreasurySpring”). This document is not and is not intended to be an approved prospectus prepared in accordance with Part VI of the Financial Services and Markets Act 2000 (“FSMA”) and contains no offer to the public within the meaning of article 85 of the FSMA, the Companies Act 1985, the Companies Act 2006 or otherwise and shall not be relied upon in connection with any contract with TreasurySpring.

No undertaking, representation, warranty or other assurance, express or implied, is given or made by or on behalf of TreasurySpring or any shareholders, directors, officers, partners, employees, consultants or advisers of TreasurySpring or any other person as to the accuracy, fairness, completeness or sufficiency of the information, opinions, statements, projections, estimates or beliefs contained in this document and this document does not purport to give a complete summary of the risks associated with the proposal contained herein.

This document does not constitute or form part of an offer or invitation to sell, or a solicitation of an offer or agreement to buy or subscribe for, any security or instrument or to participate in any particular trading strategy. Save in the case of fraud, no liability is accepted for any loss, cost or damage suffered or incurred as a result of the use of or reliance upon any such information or opinion which is attributable to any errors, inaccuracies, omissions or misstatements

(whether negligent or otherwise) contained in this document.

Neither the receipt of this document by you or any person, nor any information contained herein or subsequently communicated to you or any person is to be taken as constituting the giving of financial, tax, accounting, legal or investment advice or the making of a personal recommendation as defined in the rules of the Financial Conduct Authority (the “Rules”), by TreasurySpring and you acknowledge that you are not relying on TreasurySpring for any such advice or recommendation. You should consult with your own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that you deem necessary. TreasurySpring does not owe any duties or responsibilities of the kind referred to in the Rules relating to the making of personal recommendations in connection with any transaction.

This document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws and jurisdiction in which you are located. Persons who are not resident in the United Kingdom should inform themselves about, and observe, any applicable legal or regulatory requirements in their jurisdiction.

By accessing this document you shall be deemed to have warranted and represented to TreasurySpring that

(a) you have understood and agree to the terms set out herein, (b) you are either (i) not a US person (within the meaning of Regulation S of the U.S. Securities Act of 1933, as amended (the “1933 Act”)) or acting for the account or benefit of a US person; or (ii) a “qualified institutional buyer” as defined under Rule 144A under the 1933 Act, and (c) if you are a person in the United Kingdom then you are a person who (i) is a “qualified investor” as defined in section 86 of the Financial Services and Markets Act 2000 and either (ii) has professional experience in matters relating to investments; or (iii) is a high net worth entity falling within article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005. Persons who do not fall within paragraphs (b) and (c) above should return this document immediately to TreasurySpring. This document must be returned to TreasurySpring on demand.

Any distribution or reproduction of this document in whole or in part is unauthorised.

By accepting a copy of this document you agree to be bound by the foregoing limitations.