

# ISA Direct

## Eurex Clearing's unique buy side membership

Increasing costs for the banks driven by new regulatory requirements translate into higher fees, wider spreads or even service reductions for the buy side not only for derivatives, but also for securities financing transactions. Additionally the concentration of banks offering client clearing creates challenges with regards to counterparty risk concerns and porting in case of a Clearing Member default. ISA Direct offers increased control, access and asset safety for the buy side.

In order to unlock the full benefits of central clearing under the new regulatory regime, sell and buy side participants need to look for superior capital, margin and collateral efficiencies. Traditional models are proving restrictive and as such, new solutions need to be explored.

Eurex Clearing has developed a direct access model for the buy side which allows for higher capital efficiencies of both derivatives and securities financing transactions. At the same time, it reduces concentration risks, facilitates access to the CCP and improves asset safety and portability.

Our access model – ISA Direct – opens up a new principal client relationship between buy side clients and the CCP, with the regular Clearing Member acting as a clearing agent, providing a variety of mandatory and optional service functions.

## What are the key benefits?



### Reduction of capital requirements for Clearing Agents

- Increase in clearing capacity as no trade exposure from cleared ISA Direct client transactions
- Capital costs limited to default fund contributions



### Improved conditions for the buy side

- Reduction in capital requirements vs. bilateral business enables banks to offer better conditions
- Broad eligible collateral spectrum of approx. 14,000 ISINs
- Single cash account for margin and collateral transformation



### Enhanced segregation and portability

- Enhanced asset protection as margin collateral is pledged from a CSD account
- Reduced porting risk as all trades are directly booked against the CCP



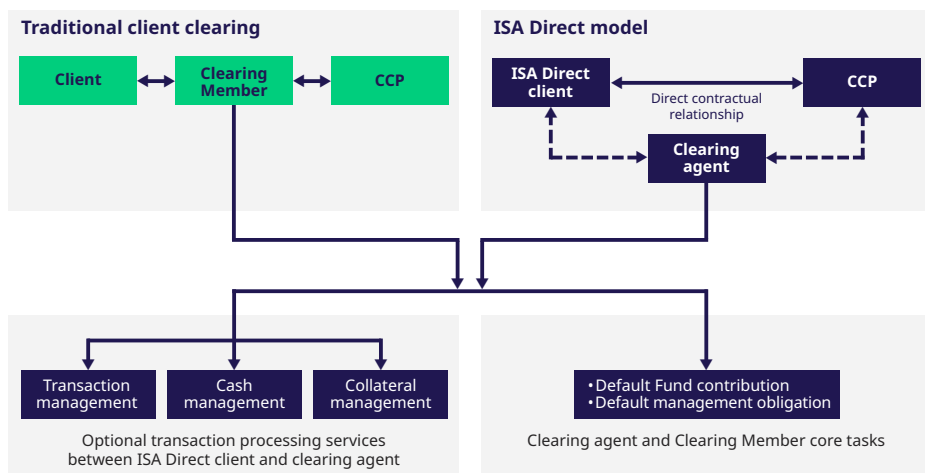
### New business opportunities

- With CCP as counterparty credit lines are relieved and thus have the opportunity to expand business
- Transactions with new counterparties are made possible by the CCP intermediation

## ISA DIRECT MODEL

ISA Direct combines elements of direct clearing membership and the traditional service relationship in client clearing, tailored specifically for the buy side.

The principal client relationship moves from the existing Clearing Member directly to the CCP, with the Clearing Member acting as the clearing agent, who will provide mandatory core and optional service functions.



No changes are needed on the functional level with the ISA Direct clients technically being set up as an ISA client of the clearing agent.

The unique set-up allows an easy upgrade from a traditional ISA client set-up to an ISA Direct set-up. So if you get started under our ISA structure, you can easily upgrade at a later point in time.

## KEY FEATURES

- Direct membership of buy side firms at the clearing house is facilitated by a clearing agent.
- The clearing agent acts as agent to cover the default fund contribution, default management obligation and optional operation and financing functions.
- ISA Direct member maintains legal and beneficial collateral ownership.
- Insurance companies, financial institutions, pension funds, and investment funds can become an ISA Direct client. You must be domiciled in the European Union or in Switzerland, supervised by the local competent authority, governmental ministry or governmental institution and be subject to local insurance or banking law, pension act or subject to local investment fund law respectively.\*
- Any General Clearing Member (GCM) admitted to a respective asset class to Eurex Clearing AG can apply to become a clearing agent.
- Asset classes covered: OTC IRS, repo.
- Asset classes to be included: listed derivatives, securities lending.

\* Up-to-date information on eligible jurisdictions can be obtained from the Eurex Clearing sales representatives.

## Contact

### FIXED INCOME, FUNDING & FINANCING SALES

London  
T +44-20-78 62-72 39

Frankfurt  
T +49-69-211-13859

Fixedincome.Sales@eurex.com

