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.

Key benefits

1. **Reduction of capital requirements for banks**
   - 2% counterparty risk weight for RWA
   - Multilateral netting for RWA and leverage ratio and positive impact on the net stable funding ratio

2. **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 covering government and corporate bonds, equities and ETFs for margin and collateral transformation purposes
   - Single cash account for margin and collateral transformation

3. **Enhanced segregation and portability**
   - Pledge of securities collateral for margin from CSD account
   - No technical requirements to port as no positions or assets have to be transferred
   - Improved asset protection through pledge instead of title transfer of securities collateral

4. **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
Overview of our 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.

Key features at a glance
- Direct membership of buy side firms at the clearing house 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

Traditional client clearing
- Client
- Clearing Member
- CCP

ISA Direct model
- ISA Direct client
- CCP
- Clearing agent

Transaction management
- Cash management
- Collateral management

Optional transaction processing services between ISA Direct client and clearing agent

Clearing agent and Clearing Member core tasks
- Default Fund contribution
- Default management obligation

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.
Who 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.*

Who can become a clearing agent?

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.

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Unlock the full benefits of central clearing – Connect directly to a CCP.

Things are changing. And it is Eurex Clearing that is helping you to harness changes by designing integrated solutions to unlock capital and gain operational efficiencies.

ISA Direct – our direct access model for the buy side. Combining elements of direct clearing membership and traditional relationship of client clearing.

With innovative solutions like ISA Direct, we keep you clear to trade.

www.eurexclearing.com