

Emerging Market Local Currency Bond Connections to Clearstream

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2016-2022 Market Launches and their Business Cases

AM/GE/UA/KZ/KSA/SR



GEORGIA: launch 2016; link through Bank of Georgia; Clearstream some 35% of Non-Resident Investors; link extended to selection of local corporate bonds

ARMENIA: launch 2017; link through local CSD and Central Bank of Armenia; Clearstream holds 50-60% of Non Resident Investors on local government bonds

KAZAKHSTAN: launch 2018; link through Citibank KZ. Clearstream holds some 60% of non-resident investment in NBK notes and MinFin bonds; investigation to extend to selected local corporate bonds

UKRAINE: launch 2019; direct account at National Bank of Ukraine, operated by Citibank UA. Clearstream holds 70-80% of the Non resident investors volumes

SAUDI ARABIA: launch 2021, link through HSBC (cash and securities); corporate bonds and govies

SERBIA: launch 2021: indirect link through RBI Vienna; local CCY govies only;

ICSD Market Connections: Art versus Science

Navigating the Internal/External Obstacles

- Understanding **the basic minimum set of operational requirements**:
 - Omnibus account/fungibility/free transferability
 - Tax regime
 - Disclosure
 - Cash repatriation/FX
 - Presence of local partners
 - Local governance of domestic central securities depositories
 - Local Post Trade infrastructure ownership: state versus market
- **Understanding the Clearstream Process and Overall Implementation Cost**: EUR 500K on average (IT, legal, Operations, internal readiness) and +/- 2 years minimal implementation process
- **Business case**: hit or miss: Ukraine/Kazakhstan versus Colombia/Brazil
- **Geo-political risk**, how far can we push the envelope?
- **Global interest rate environment** as basis for implementation success
- **Index** inclusion and exclusion: the blessing and the curse of indexes
- **Regulatory obligation** as market infrastructure: how deep and far can Clearstream go?
- **Hedging commercial risk**: how to create a win-win for Clearstream and the local capital markets?

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