

ESM to clear interest rate swaps through Eurex Clearing



(Luxembourg) -- The European Stability Mechanism (ESM) has decided to begin clearing its interest rate swaps (IRS) through Eurex Clearing, one of the leading central counterparties (CCP) globally.

The ESM becomes the first international financial institution and the first among the family of European public institutions to join Eurex Clearing, part of Deutsche Börse Group, for its IRS transactions, marking a significant milestone in the ESM's efforts to enhance financial stability and operational efficiency within the European Union.

“This move is a message of trust in the European financial system and demonstrates the ESM's commitment to innovation and progress. It also supports the broader objective of deepening European capital markets, fostering economic growth and competitiveness,” ESM Managing Director Pierre Gramegna said. “I am very pleased to have Eurex as the ESM’s partner in this journey.”

The ESM uses derivatives, like interest rate swaps, to ensure that countries that have loans with the ESM can continue to pay more stable interest rates for a very long time, despite volatility of market rates, as is the case with Greece, which received multiple loans from the EFSF and ESM. Moreover, the interest rate swaps are also used for the paid-in capital investment activity to manage and hedge interest rate risks.

The ESM's decision to clear IRS transactions through Eurex Clearing offers several significant benefits. It reduces credit and settlement risks and aligns the ESM with market practices, as 95% of all euro-denominated IRS transactions are cleared through CCPs. It, ultimately, enables the ESM to provide more efficient and economical financial support to its member states.

"We are delighted to welcome the ESM as a clearing member," said Stephan Leithner, CEO of Deutsche Börse AG. "The ESM's decision to CCP clear interest rate swaps in the EU is a key contribution to reinforcing financial stability and strategic autonomy within the region – a significant step forward for the entire European market. This underscores Eurex Clearing's vital role in providing secure and efficient clearing services and positions us for continued growth and innovation within the evolving European financial landscape."

To commemorate this landmark achievement, the ESM hosted a bell-ringing event at the Frankfurt Stock Exchange today, in collaboration with Eurex. This celebration marks the culmination of over two years of dedicated work, negotiations, and financial planning.

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