

Clearstream Spotlight

Reg S & Rule 144A securities remain key component of the issuers financing toolkit

During this period of unprecedented market disruption, corporate and sovereign issuers continue to tap the debt capital markets with significant transactions.

Throughout H1 2020 the Eurobond market has proven to issuers and investors alike that its depth and resilience set it apart from other markets in times of uncertainty as it continues to deliver large scale funding and stable investment opportunities across the globe.

Issuing Reg S & Rule 144A securities to global investor base

Clearstream's AA-rated infrastructure is best placed to support the issuance of Regulation S (Reg S) and Rule 144A securities and ensures direct access to a wide range of global intermediaries while enhancing the scope of post trade connectivity, securities lending and collateral management opportunities.

Facilitating efficient funding

Clearstream's Eurobond offering includes securities numbering, distribution and safekeeping services. These allow efficient funding in more than 40 settlement currencies and support issuance in over 100 denomination currencies and under multiple legal jurisdictions.

For Reg S and Rule 144A securities, Clearstream supports full USD cash clearing via DVP settlement of cash and securities internally. In addition, by centralising the issuance and

safekeeping of both note formats Clearstream can significantly reduce the conversion time required through trading in the secondary market.

Clearstream supports Reg S and 144A securities in the following way:

Bifurcated structure: Reg S and Rule 144A with a Common Depository

- Two separate global securities in registered form which are deposited directly with a 'common depository', held via Clearstream and Euroclear, one Global note evidencing the Reg S portion and the other the 144A portion
- Both global securities are registered in the nominee name of the common depository
- Exchange from one Global note to the other is restricted
- 2 distinct ISIN codes are allocated to the Global notes: the 144A receives one XS ISIN, the Reg S receives another XS ISIN

Key benefits

- Conversion time massively reduced, often possible intra-day or within one business day
- Single point of contact for all eligibility, distribution and asset servicing
- Simplified documentation requirements for single settlement and safekeeping location
- Internal DvP USD cash clearing on all primary and secondary asset trading

Regulation S (Reg S) and Rule 144A bonds

Reg S and Rule 144A bonds are types of bonds allowing the issuer to issue these without the need to register them under the Securities Act of 1933. The two rules are defined as follows:

- Under the Rule 144A, Qualified Institutional Buyers (QIBs) can trade debt securities without registration and review by the Securities and Exchange Commission (SEC).
- The Reg S bond type is available for offers and trades of securities outside of the USA to non-US investors.



Exchange between the two types of bonds

If a security is issued under both Rule 144A and Reg S, this allows the holders to exchange between the two types of bonds, in order to trade in or outside the USA. Clearstream processes transfer instructions from 144A type into Reg S and the other way around.

Post-trade collateral use

Reg S and Rule 144A securities issued and held with Clearstream are eligible for collateral activities, such as triparty collateral management and securities lending (e.g. ASLplus), in both ICSDs, the ECB and the US Federal Reserve. The wide collateral eligibility increases the attractiveness of the new issue for the targeted international investor base.

More information

For more information, please contact your Relationship Manager or the Eurobonds Business Team.

www.clearstream.com