



DEUTSCHE BÖRSE
GROUP

Annual report 2018

Excerpt: Glossary

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Glossary

B

Benchmarks Regulation

An EU regulation on indices that are used as references for financial instruments and financial contracts. The Benchmarks Regulation came into force on 1 January 2018. Under its transitional provisions, benchmark administrators from both EU and non-EU countries must obtain authorised or registered status by 1 January 2020.

Blockchain/distributed ledger technology

A blockchain/a distributed ledger is a public, distributed set of digital data. Originally developed as the technological basis for the virtual currency bitcoin, blockchain technology can be used to facilitate direct user-to-user transactions during digital payments processing and e-commerce.

Brexit

The decision by the United Kingdom to leave the European Union. This will have far-reaching consequences for the financial markets and their participants. Deutsche Börse Group's overriding aim is to ensure secure, competitive markets. In line with this, the Group is in continuous close contact with clients, the supervisory authorities and associations.

C

C7

Deutsche Börse Group's IT architecture for clearing exchange-traded and [OTC](#) products (both for derivatives and for the spot market). C7® is part of the Group's 7 Market Technology® series.

Capital Markets Union

The Capital Markets Union (CMU) is a European Commission initiative. Its main aim is to promote economic growth in the EU by strengthening the role of the capital markets and enhancing financial market integration.

Cash flows from operating activities

Total cash inflows and outflows arising in the course of operating business. Cash flows from operating activities are Deutsche Börse Group's primary source of finance and are reported both before and after the changes in receivables and liabilities from CCP positions, since the latter vary widely depending on the reporting date and the informative value of this indicator is therefore limited.

Cash pool

A master account used to bundle excess liquidity within affiliated companies, to the extent permitted by the regulatory and legal framework.

CCP

Central counterparty; also: clearing house. An institution that interposes itself between trading partners as the legal buyer or seller after a transaction has been entered into, facilitating netting, minimising counterparty default risk ([margin](#) and collateral) and carrying out all steps necessary for final clearing.

Clearing

The netting (offsetting of buy and sell positions) of receivables and liabilities arising from securities and derivatives transactions. The goal is to facilitate efficient risk management by reducing risk positions. Clearing is also used to determine the bilateral net debt of buyers and sellers. Central clearing is performed via a CCP such as Eurex Clearing AG.

Clearstream Funds Centre Ltd.

[Swisscanto Funds Centre Ltd.](#)

CMU

[Capital Markets Union](#)

Collateral

Collateral, in particular in the form of cash or securities such as equities or bonds, is posted in order to meet specified collateral requirements ([margin](#)). This process is known as collateralisation.

Commercial paper

A debt security with a short or medium term (mostly less than one year) traded on the money market and sold by highly creditworthy issuers to finance their short-term capital requirements.

CRD V/CRR II

Amendments to the Capital Requirements Directive IV and Capital Requirements Regulation (CRD IV/CRR) proposed by the European Commission. The proposals concern the minimum requirements for equity and eligible liabilities (MREL) and the total loss-absorbing capacity (TLAC); they also involve amendments to the EU Bank Recovery and Resolution Directive (BRRD) and the related regulation. The draft legislation will probably be finalised in the first quarter of 2019; the related requirements are not expected to come into force before the beginning of 2021.

CRD VI/CRR III

In December 2017, the Basel Committee on Banking Supervision (BCBS) adopted and published measures to finalise the Basel III regulatory framework. These regulations, as well as presumably the subsequently resolved regulations on market risks and exposures to public-sector entities, will be incorporated and implemented in the new CRD VI/CRR III package. The corresponding draft law of the EU Commission is expected to be published at the beginning of 2020.



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Cross-margining

Procedure for determining the [margin](#) requirement for an integrated portfolio. Risk positions in a portfolio (on-exchange and [OTC](#) positions) are modelled together to yield a single value that is used as the basis for determining the margin requirement. The offsetting procedure serves to reduce the margin requirement.

CSD

Central securities depository. Clearstream Banking AG acts among other things as the officially recognised German central securities depository under the Depotgesetz (German Safe Custody Act). In this function, it offers a wide range of post-trade services for securities issued in Germany and other countries.

CSDR

Central Securities Depository Regulation. The CSDR aims to harmonise the securities [settlement](#) systems and supervisory rules for [CSDs](#) in Europe.

Custody

The safekeeping and administration of securities. A custody account (similar to an account for monetary transactions) is established for each customer. The custody account information includes details of the types, nominal amounts or quantities, and numbers etc. of the securities held, as well as the name and address of the account holder.

D

DB1 Ventures

Deutsche Börse Group's corporate venture capital arm. DB1 Ventures' goal is to provide capital to pioneering financial services companies so as to enable them to develop their ideas and create growth. The focus is on early- to growth-stage fintech businesses.

Depreciation, amortisation and impairment losses

Regular and ad hoc downward adjustments to the carrying amounts of intangible assets and property, plant and equipment. These are presented separately from [operating costs](#) in order to ensure transparent reporting of costs and earnings, and to increase comparability with competitors.

Deutsche Börse Venture Network®

Platform for bringing together young innovative growth companies in the pre-IPO sector and international investors.

E

EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment losses. Deutsche Börse Group's operating profit, consisting of the difference between [net revenue](#) and [operating costs](#).

EMIR/EMIR review

European Market Infrastructure Regulation. EMIR regulates [OTC](#) derivatives, [CCPs](#) and trade repositories; it aims to improve security and integrity on the OTC derivatives market by promoting transparency and reducing risk. Among other things, it does this by introducing a [clearing](#) obligation for eligible OTC derivatives and measures to reduce counterparty credit risk and operational risk for OTC derivatives not cleared via CCPs, plus disclosure requirements for all derivatives. EMIR also establishes general requirements for CCPs and trade repositories. The EMIR review proposals that were published in the summer of 2017 aim to improve efficiency on the one hand and to ensure the security and stability of the financial markets after Brexit on the other.

ESG criteria

ESG = environment, social, governance. The composition of ESG indices reflects these three selection criteria.

ETF

Exchange-traded fund. A mutual fund with an indefinite maturity whose shares can be bought or sold in continuous trading on the exchange. It tracks the performance of the index on which it is based.

ETP

Exchange-traded product. ETPs comprise exchange-traded commodities (ETCs) and exchange-traded notes (ETNs).

F

Free funds from operations (FFO)/net debt ratio

Performance indicator used in Deutsche Börse Group's consolidated balance sheet as from 2019. FFO are calculated by deducting interest and tax expenses from EBITDA, and adjusting the figure for operating leases and unfunded pension obligations. Deutsche Börse Group's target ratio is at least 50 per cent; this is the figure needed to achieve the minimal financial risk profile required for an AA rating under the S&P Global Ratings methodology.

FX

Foreign exchange.



G

GTX ECN

A US FX trading platform for off-exchange transactions. GTX ECN has been part of Deutsche Börse Group's 360T (foreign exchange) segment since 2018.

H

Hybrid bond

A subordinated corporate bond with both equity- and debt-like features, a very long or unlimited maturity and a high coupon.

I

ICSD

International [☒](#) CSD

Interest-bearing gross debt/EBITDA ratio

Performance indicator used in Deutsche Börse Group's consolidated balance sheet up to 2018. Deutsche Börse Group's target ratio was set at a maximum of 1.5 in order to maintain the AA rating at Group level.

Interest coverage ratio

A performance indicator showing the ratio of [☒](#) EBITDA to interest expenses from financing activities. Until 2018, Deutsche Börse Group aimed for a minimum interest coverage ratio of 16 at Group level in order to maintain its AA rating. The target for the Clearstream subgroup was at least 25. As from 2019, the method of calculating this indicator has been adjusted in line with a new methodology from S&P Global Ratings; the new minimum target ratio is 14.

Interest rate swaps

The exchange of fixed interest rates and floating rates payable based on identical principal amounts in the same currency.

IPO

Initial public offering. An IPO is when a company first offers its shares for sale to the general public.

L

Liquidity

A market situation in which a security can be bought or sold rapidly, even in larger quantities, without substantially affecting its price.

Listing

Quotation of a security or issuer on the exchange.

M

Margin

Collateral requirements determined by a [☒](#) CCP for all types of transactions for which it acts as a central counterparty, used to cover risk from open positions in case a participant defaults.

MiFID

Markets in Financial Instruments Directive. This EU directive establishes a regulatory framework for the provision of investment services in connection with financial instruments (such as brokerage, advice, dealing, portfolio management, underwriting). It applies to banks, investment firms and the operators of regulated markets (e.g. stock exchanges). The objective is to promote the integration, competitiveness and efficiency of the EU's financial markets.

MiFID II

The revision of the Markets in Financial Instruments Directive (MiFID). The revised directive came into effect in January 2018. It sets out the rules governing the authorisation and activities of investment firms – in particular for so-called market makers (liquidity providers) and participants in algorithmic trading – and regulated trading venues, along with precautionary measures for specifying and supervising position limits for commodities derivatives and the requirements to be met by data reporting services.

MiFIR

Markets in Financial Instruments Regulation. A supplementary EU regulation to MiFID II that has been in effect since January 2018. Its comprehensive reporting obligations are designed to increase transparency on the stock, bond and derivatives markets and close loopholes in off-exchange transactions. The introduction of mandatory on-venue trading for shares and derivatives ensures that a larger number of transactions will be executed on regulated trading venues. The new regulations also cover the accessibility of [☒](#) CCPs, trading venues and benchmarks as well as provisions governing the activities of companies from third countries.



N

Net debt/EBITDA ratio

Performance indicator used in Deutsche Börse Group's consolidated balance sheet as from 2019. The Group's target ratio is a maximum of 1.75; this is the figure needed to achieve the minimal financial risk profile required for an AA rating under the S&P Global Ratings methodology.

Net present value (NPV)

The present (discounted) value of future payments. This measure is used in financial assessments to prioritise and manage projects.

Net profit for the period attributable to shareholders of Deutsche Börse AG

The profit generated within a certain period that is attributable to shareholders; this measure is used to manage the results of operations.

Net revenue

Revenue plus net interest income from banking business and other operating income, less volume-related costs. Deutsche Börse Group uses net revenue (and operating costs) to manage its [EBITDA](#).

Nodal Exchange

US derivatives exchange providing price, credit and liquidity risk management to participants in the North American energy markets. Nodal Exchange belongs to Deutsche Börse Group's EEX (commodities) segment.

O

Operating costs

Personnel costs plus other operating expenses. Depreciation, amortisation, and impairment losses are presented separately from operating costs in order to ensure transparent reporting of costs and earnings, and to increase comparability with competitors. Deutsche Börse Group uses operating costs (and net revenue) to manage its [EBITDA](#).

OTC

Over the counter, off-exchange. Describes transactions between two or more trading parties that are not executed on a regulated market.

OTC clearing

The name given to the [clearing](#) of transactions that are not executed on a regulated market.

P

Payback period

The period until the cost of an investment or an asset is covered by the income generated with it. This measure is used in financial assessment to prioritise and manage projects.

PRIIPs

EU regulation on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs). The regulation requires PRIIPs manufacturers to publish KIDs on their products in order to establish a common standard of information to be provided to retail investors across the EU.

Prime Standard

Subsegment of the EU-regulated market of Frankfurter Wertpapierbörse (FWB[®], the Frankfurt Stock Exchange) for companies that meet particularly high transparency standards. A listing in the Prime Standard is a precondition for admission to one of Deutsche Börse's selection indices, such as DAX[®], MDAX[®], SDAX[®] or TecDAX[®].

Q

QE

Quantitative easing. In March 2015, the European Central Bank (ECB) launched a programme to purchase sovereign bonds and other securities. The aim was to further boost market [liquidity](#) and to fend off deflation by increasing the money supply. The ECB discontinued its QE programme in December 2018.

R

Regulatory Reporting Hub

Deutsche Börse Group's platform for reporting solutions. The Hub enables sell-side and buy-side institutions, corporates and trading venues, to efficiently meet their current and future regulatory obligations. It supports clients in reporting to all relevant national competent authorities across Europe and in fulfilling transparency requirements.

Repo

Short for "repurchase agreement". An agreement between the buyer and the seller of a security in which the seller promises to buy back the security on a specified date. Repos are typically used by banks as a temporary source of liquid funds.

Return on equity (RoE)

The ratio of net profit for the period attributable to Deutsche Börse AG shareholders to the average equity available to Deutsche Börse Group in a fiscal year. This measure is used to determine the yield generated by the equity deployed.



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Roadmap 2020

Deutsche Börse Group's growth strategy, which was unveiled in May 2018. Roadmap 2020 focuses on three strategic initiatives: organic growth, targeted acquisitions and investments in innovative technologies. It aims to consolidate and further expand Deutsche Börse's position as a leading European financial markets infrastructure provider with ambitions for global growth.

S

Scale

A segment of Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange), designed to enhance access to investors and growth capital for small and medium-sized companies.

Securities lending

Transfer of securities by a lender in return for a fee – and usually also against [collateral](#) – on condition that the borrower returns securities of the same kind, quality and amount to the lender at the end of a fixed term.

Settlement

The completion of an exchange transaction, i.e. the transfer of the money and traded securities from the seller to the buyer and vice versa. Within Deutsche Börse Group, Clearstream is responsible for this post-trading function.

Stress test

Stress tests are carried out in order to simulate extreme, yet plausible, events for all material types of risk. Using both hypothetical and historical scenarios, they simulate the occurrence of extreme losses, or an accumulation of large losses, within a single year.

Swisscanto Funds Centre Ltd.

Swisscanto Funds Centre Ltd. operates the Swisscanto Fund Desk at Zürcher Kantonalbank, which offers banks a one-stop fund trading platform featuring straightforward order placement and settlement, as well as custody services. Swisscanto Funds Centre Ltd. has been part of Deutsche Börse Group's IFS (investment fund services) segment since 2018. The company was renamed Clearstream Funds Centre Ltd. on 2 November 2018.

T

T2S

TARGET2-Securities. ECB-operated platform for securities settlement in central bank money, which allows banks to reduce cross-border settlement costs and pool [collateral](#). Clearstream migrated to T2S in February 2017. "TARGET" is short for "Trans-European Automated Real-Time Gross Settlement Express Transfer System".

T7

IT architecture used for Deutsche Börse Group's trading systems (Eurex® Exchange, Xetra®, the European Energy Exchange and to some extent also 360T®). It is also used at other exchanges such as BSE (formerly known as the Bombay Stock Exchange) and Helsinki Stock Exchange. T7 is part of the Group's 7 Market Technology® series.

Tangible equity

Equity less intangible assets, a performance indicator used by Deutsche Börse Group; the figure at Group level should be positive. Tangible equity should not fall below €700 million at Clearstream International S.A. or €400 million at Clearstream Banking S.A., since in Deutsche Börse Group's opinion, compliance with these figures is compatible with an AA rating.

Target liquidity

The liquidity level that should be maintained at all times. At Deutsche Börse Group, target liquidity is approximately €150 million to €250 million; this corresponds roughly to the [operating costs](#) for one quarter.

V

VDAX®

Volatility index indicating the fluctuations in the DAX® index expected in the derivatives market (implied volatility).

Volatility

Measure of the extent to which the price of a security or an index fluctuates around a mean value during a certain period of time.

Acknowledgement

Published by

Deutsche Börse AG
60485 Frankfurt/Main
Germany
www.deutsche-boerse.com

Concept and layout

Deutsche Börse AG, Frankfurt/Main
HGB Hamburger Geschäftsberichte GmbH & Co, Hamburg

Photographs

Thorsten Jansen (Portraits Joachim Faber
and Theodor Weimer, group picture Executive Board)
Jörg Baumann (Title)

Financial reporting system

Combined management report, consolidated financial statements
and notes produced in-house using firesys and SmartNotes.

Publication date

15 March 2019

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We would like to thank all colleagues and service providers
who participated in the compilation of this report for their
friendly support.

Publications service

The annual report 2018 is both available in German and English.

Order numbers

1000–4833 (German annual report)
1010–4834 (English annual report)

The annual report 2018 of Deutsche Börse Group is available as
pdf on the internet:

www.deutsche-boerse.com/annual_report

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