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/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.

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.

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.

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.
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 in-
crease comparability with competitors.

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 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 disc-
losure requirements for all derivatives. EMIR also establishes general
requirements for CCPs and trade repositories. The EMIR review pro-
posals 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 ba-
sed.

Free funds from operations (FFO)/net debt ratio
Performance indicator used in Deutsche Börse Group’s consolida-
ted 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.

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

ICSD
International CSD

Interest-bearing gross debt/EBITDA ratio
Performance indicator used in Deutsche Börse Group’s consolida-
ted 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 Clear-
tream subgroup was at least 25. As from 2019, the method of
calculating this indicator has been adjusted in line with a new me-
thodology 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 ba-
sed 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.

Margin
Collateral requirements determined by 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 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 deriva-
tives 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.

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.

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

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.

Prime Standard
Subsegment of the EU-regulated market of Frankfurter Wertpapier-börse (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 the DAX®, MDAX®, SDAX® or TecDAX®.

Quantitative easing (QE)
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.

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.

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.

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.
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.

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.

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
Kirchhoff Consult AG, Hamburg

Photographs
Getty Images/instamatics

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

Publication date
13 March 2020

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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 2019 is both available in German and English.

The annual report 2019 of Deutsche Börse Group is available as pdf on the internet:
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