



DEUTSCHE BÖRSE
GROUP

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Financial report 2017

Excerpt: glossary



Glossary

0–9

360T*

[OTC](#) trading platform for financial instruments such as [FX](#), money market or interest rate products from 360T.

A

AI

Artificial intelligence. The attempt to simulate functions of human intelligence using computer operations.

Asset deal

(Agreement on the) Sale of an operation concluded by transferring the assets of a company to the buyer one by one, as opposed to a so-called share deal, i.e. a sale concluded by transferring shares in a company.

B

Big data

Technical term for data packages which are so big that they cannot be processed in a regular way. Big data is subjected, for instance, to computer-based scans in order to uncover patterns and repetitions, which are then correlated with certain events. These correlations may result in predictions or early-warning systems.

Blockchain

Public transfer protocol originally developed to trade the digital currency bitcoin. It basically consists of an electronic, decentralised and fully disclosed ledger of all transactions, i.e. “blocks”, which is continually validated. Jointly with Deutsche Bundesbank, Deutsche Börse Group showcased a blockchain prototype for securities settlements in November 2016.

C

C7

IT infrastructure of Eurex Clearing that carries out the settlement of listed and [OTC](#) products (both for derivatives and cash) on a uniform architecture. Customers are supported at the time of [clearing](#) by various transaction- and [EMIR](#)-compliant segregation models, based on configurable account structures. C7* is part of 7 Market Technology*.

Capital Markets Union

The Capital Markets Union (CMU) is a flagship initiative of the European Commission. Its central aim is to enhance economic growth in the EU by strengthening the role of capital markets and further integrating financial markets. For more information on the CMU, please visit the website www.deutsche-boerse.com > Regulation > Regulatory dossiers > Capital Markets Union.

Cash pool

Master account into which funds from several cash accounts are swept daily. Cash pooling is used to bundle excess liquidity, while adhering to regulatory and legal constraints.

CCP

Central counterparty; also: clearing house. Institution that acts as a legal intermediary between the trading partners as a buyer or seller after a transaction has been completed, facilitating netting, minimising the default risk of a contracting party (margining and collateralisation), and carrying out all process steps necessary for [clearing](#).

Clearing

The netting (offsetting of buy and sell positions) of receivables and liabilities arising from securities and derivatives transactions in order to achieve efficient risk management. Clearing thus contributes to reducing risk positions. It is also used to determine the bilateral net debt of buyers and sellers. Central clearing takes place via a [CCP](#).

CMU

[Capital Markets Union](#)

Collateral

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

Commercial paper

A debt security traded on the money market with a short or medium term (mostly less than one year) and issued by issuers with a high credit rating to finance their short-term capital requirements. Issuers benefit from the commercial paper's flexibility and customisability; buyers are able to obtain attractive conditions for short-term investments.

Content Lab

Innovation laboratory, where Deutsche Börse Group is developing and testing new ideas based on data analysis and processing with the intention of turning them into marketable products and services – among others solutions based on [AI](#). The Content Lab was created in mid-2016 with a think tank concept. It has been expanded into a “Data & Analytics Centre” since March 2017.

CRD IV/CRR

Capital Requirements Directive IV and Capital Requirements Regulation. The package is the third revision of the original CRD for credit institutions and investment firms of 2006. The CRD’s key aim is to strengthen the resilience of the EU banking sector by ensuring that institutions’ capital is of sufficient quantity and quality.

CRD V/CRR II

Amendments to the Capital Requirements Directive IV and Capital Requirements Regulation [CRD IV/CRR](#) proposed by the European Commission. These 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 likely not be finalised prior to the end of 2018; the related requirements are not expected to come into force before the beginning of 2021.

Cross-margining

Procedure for determining the [margin](#) requirement for an integrated portfolio. Risk positions in a portfolio (e.g. on-exchange and [OTC](#) positions) are offset 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 as the officially recognised German bank for the central deposit of securities under the Depotgesetz (German Securities Deposit Act). In this function, it offers a wide range of post-trade services relating to securities issued in Germany and other countries, both as a CSD for securities eligible for collective safe [custody](#) and as a custodian for other securities.

CSDR

Central Securities Depository Regulation. CSDR aims to achieve harmonisation of securities [settlement](#) systems and supervisory rules for [CSDs](#) in Europe.

Custody

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

Cyber attack

Targeted attack on an IT infrastructure from an external source. Many attacks are directed at financial services providers; governments and public administrations are also often the focus of criminal attention.

Cyber resilience

Increased robustness of processes, applications and technology to help them withstand [cyber attacks](#).

D**DB1 Ventures**

Deutsche Börse Group’s corporate venture capital arm. DB1 Ventures’ goal is to provide capital to trend-setting companies from the financial services sector – to enable them to develop viable concepts, and to create growth. The focus lies on early- to growth-stage [fintech](#) businesses.

Designated Sponsor

Banks or financial services providers that furnish binding bid and ask quotes for a particular security in the order book, either upon request or at their own initiative. Designated Sponsors enhance the [liquidity](#) of the securities they support.

Deutsche Börse Venture Network

Platform for bringing together young innovative growth companies in the pre-IPO sector and international investors. Deutsche Börse Venture Network® has mobilised more than €1.3 billion for funding innovative ideas since its foundation in 2015. At the end of September 2016, the first Venture Network company went public; a total of three companies from the Venture Network had successful [IPOs](#) by the end of 2017. Introduced in 2016, Venture Match is a service provided by the Network that matches investors and participating companies.

E**EMIR**

European Market Infrastructure Regulation. EMIR regulates [OTC derivatives](#), [CCPs](#) and trade repositories; it aims to improve security and integrity within the OTC derivatives market by promoting transparency and reducing risk. Among other things, this is to be achieved 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, as well as disclosure requirements for all derivatives. EMIR also establishes general requirements for CCPs and trade repositories.

ESG criteria

ESG = environment, social, governance. The composition of ESG indices such as the [STOXX® ESG Global Leaders index](#) reflects these three selection criteria.

ETF

Exchange-traded fund. Mutual fund with 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**Fintech**

Portmanteau combining the terms “financial” and “technology”, describes novel solutions for application systems that constitute innovations or advancements in the financial services sector. Deutsche Börse Group operates a FinTech Hub that provides co-working spaces and connects fintech start-ups by offering targeted consulting and networking services.

FX

Foreign exchange. Receivables in foreign currencies consisting of assets or cheques in said currencies.

G**Global Liquidity Hub**

Integrated risk and [liquidity](#) management solution in Deutsche Börse Group's [GSF](#) business field. It offers integrated financing services, including [securities lending](#) and [collateral](#) management services for a range of asset classes including fixed-income securities and equities. Through the Global Liquidity Hub, customers can, for example, fulfil their [margin](#) obligations towards [CCPs](#) and cover their global exposures.

GRI

Global Reporting Initiative. Independent not-for-profit organisation that publishes guidelines for creating sustainability reports in cooperation with the United Nations Environment Programme (UNEP). Transparency is the basis of reporting in accordance with the GRI, which aims to ensure that sustainability reports are standardised and comparable.

GSF

Global Securities Financing. Business area within Deutsche Börse Group's Clearstream segment that comprises automated [securities lending](#) services and [collateral](#) management. Deutsche Börse Group showcases its secured funding and securities financing activities at the annual Global Funding and Financing Summit (GFF for short).

H**Hybrid bond**

Subordinated corporate bond with both equity- and debt-like features, very long or unlimited maturity and high interest rates.

I**ICSD**

International [CSD](#)

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 marks the time when a company first offers its shares for sale to the general public and launches them on the equity market.

K**Know Your Customer**

Know Your Customer defines processes for identifying and verifying new and existing customers in order to ascertain a customer's or contractual party's true identity. Based on the results, Deutsche Börse Group determines whether certain customer relationships or business transactions hold a money laundering or terrorism financing risk, and defines and implements risk-based measures accordingly.

L**Latency**

Time delay, e.g. during the transmission of market data. The term "low latency" thus refers to processes which involve minimal delays. Developing low-latency products is part of the work of Deutsche Börse Group's [Content Lab](#).

Liquidity

Market situation in which a security can be bought or sold, even in larger quantities, without substantially affecting its price. Important criterion for assessing the quality of a securities market in securities trading, and thus a decisive factor in the competition between marketplaces.

Listing

Quotation of a security or issuer on the exchange. Issuers at the Frankfurt Stock Exchange can choose from four transparency standards for their listing: [Prime Standard](#), General Standard, [Scale](#) and Basic Board.

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. The EU directive establishes a regulatory framework for the provision of investment services in financial instruments (such as brokerage, advice, dealing, portfolio management, underwriting) by banks and investment firms and for the operation of regulated markets by market operators (stock exchanges among others). The objective is to promote the integration, competitiveness and efficiency of EU financial markets.

MiFID II

Refers to the revision of the Markets in Financial Instruments Directive ([MiFID](#)). The revised Directive came into effect in January 2018. The Directive contains guidelines for the activities of investment firms – in particular for so-called market makers (liquidity providers) and participants in algorithmic trading – and regulated trading venues, precautionary measures regarding the specification and supervision of position limits for commodities derivatives as well as regulation for data reporting services.

MiFIR

Markets in Financial Instruments Regulation. A supplementary EU regulation to [MiFID II](#) that has been in effect since January 2018. It will see the introduction of comprehensive reporting obligations to increase transparency in the stock, bond and derivatives markets and close existing 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**Nodal Exchange**

Derivatives exchange providing price, credit and liquidity risk management to participants in the North American energy markets. Nodal Exchange is part of Deutsche Börse Group.

O**OTC**

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

P**People Principles**

Five principles that enhance Deutsche Börse Group's corporate values at the level of personal conduct and describe the expectations for collegial and professional cooperation within the Group: respect, teamwork, recognition, results orientation and customer focus.

Pre-IPO

Young high-growth companies' preparatory phase before going public ([☒](#) IPO).

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®.

Private placement

Special type of listing: a company's shares are offered only to a selected group of investors and not publicly through the exchange, as they would be in an [☒](#) IPO.

Q**QE**

Quantitative easing. In March 2015, the European Central Bank (ECB) launched a purchasing programme for sovereign bonds and other securities. The aim is to further boost market [☒](#) liquidity and to fend off deflation due to an increase of the money supply. The ECB's QE measures are currently scheduled to run until September 2018. Central banks use QE as a tool to avert crisis situations worldwide – as done by the Federal Reserve, the Bank of England and the Bank of Japan.

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 (NCAs) across Europe and in fulfilling transparency requirements.

Repo

Short for "repurchase transaction". 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.

Risk appetite

A company's preferred level of risk. Internal risk management evaluates the risk situation across the Group and ascertains whether it is line with the risk appetite.

S

Scale

Exchange segment on Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange) since 1 March 2017, designed to enhance access to investors and growth capital for small and medium-sized companies. Companies must meet minimum prerequisites for defined key performance indicators (KPIs) and collaborate with a Deutsche Börse Capital Market Partner in order to be eligible for inclusion. Requirements also include mandatory research reports commissioned and paid for by Deutsche Börse.

Securities lending

Transfer of securities by a lender for a fee – and usually [collateral](#) – and 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 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.

STOXX® Low Carbon

Index family designed for investors wishing to “decarbonise”, i.e. limit the exposure of their portfolios to reduce climate-related risks, such as stricter regulation or physical damage, while participating in the growth of low-carbon industries.

STOXX® Global ESG Leaders

Index family based on sustainability ratings covering environmental, social and governance ([ESG](#)) criteria.

STOXX® Sustainability

Index family that shows the performance of sustainable companies

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.

T

T2S

TARGET2-Securities. Platform for securities settlement in central bank money, 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 the trading systems of Deutsche Börse Group (Eurex® Exchange, Xetra® and European Energy Exchange). It is also utilised at other exchanges such as BSE (former Bombay Stock Exchange) and Helsinki Stock Exchange. T7® is based on a high-performance messaging architecture that combines minimal [latency](#) with maximum reliability. T7 is part of 7 Market Technology®.

V

VDAX®

[Volatility](#) index indicating the fluctuations in DAX® 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.

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