



Triparty repo: what it is, what it does and who are the users

ICMA Professional Repo and Collateral
Management Course

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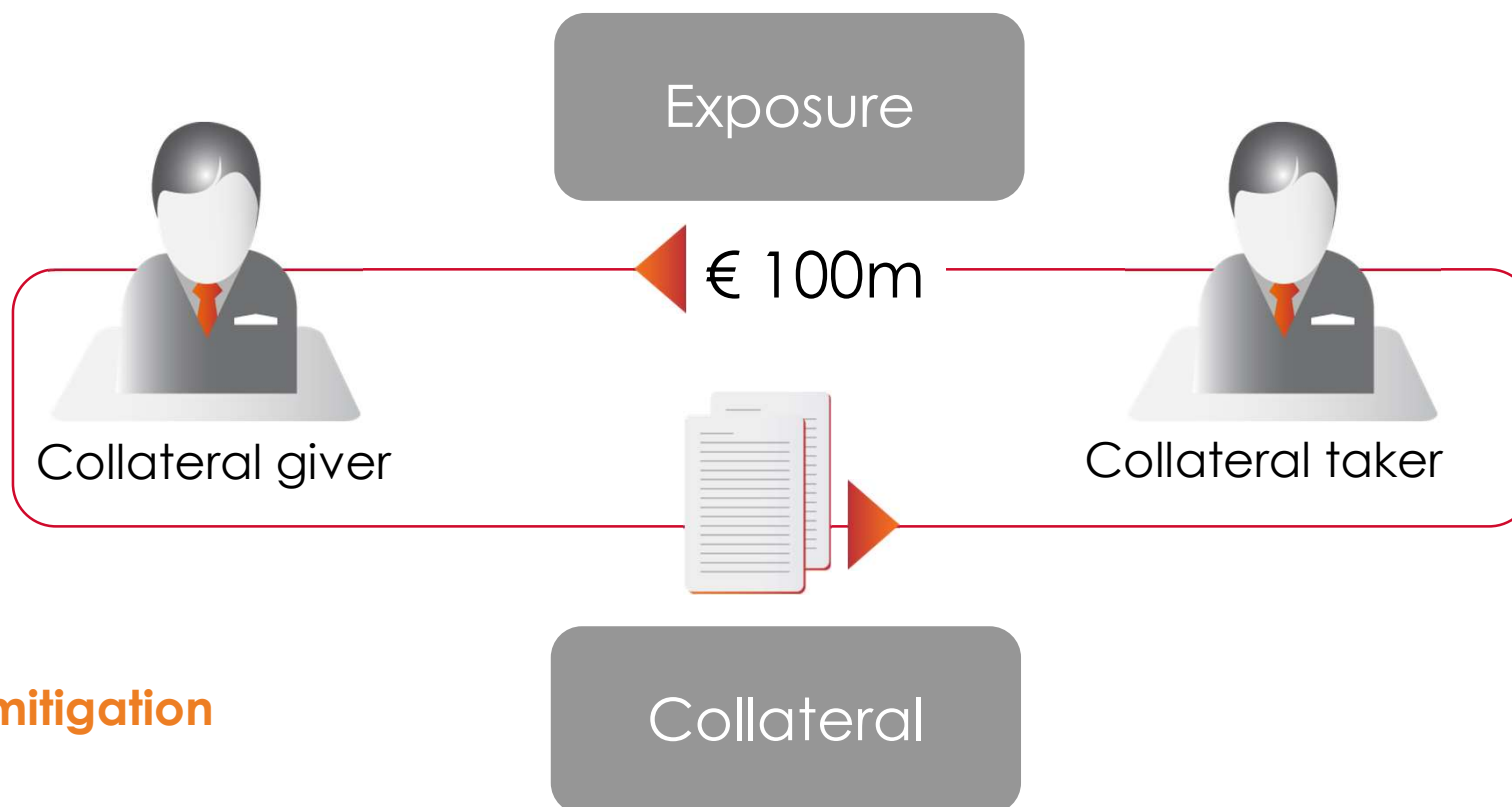


Secured exposure management

Risks and risk mitigation

Bilateral agreement
(e.g. **GMRA**, GMSLA, ISDA CSA,...)

Risk



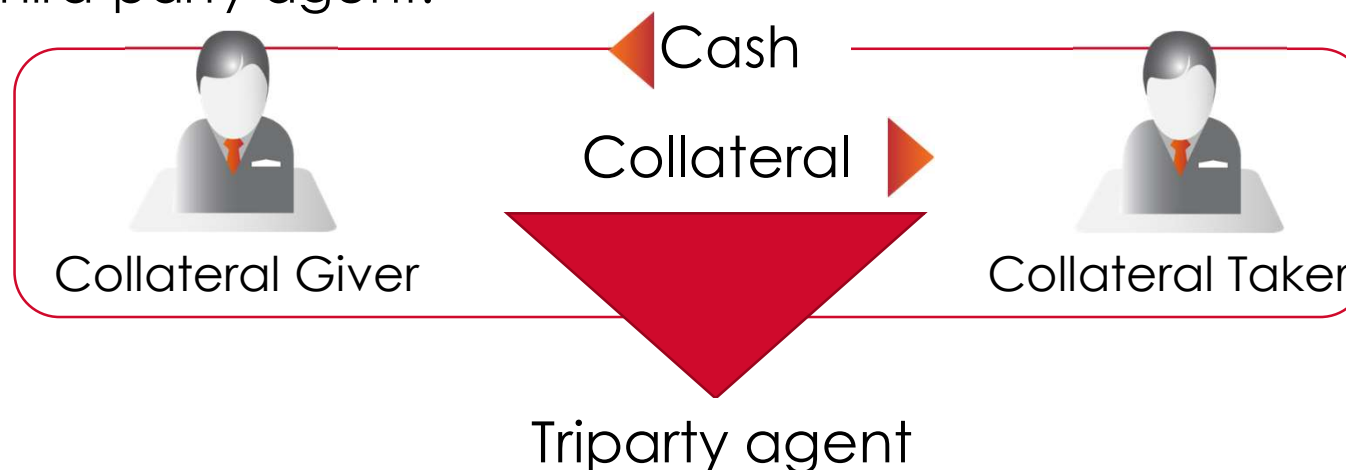
Risk mitigation



Triparty collateral management

Repo & Triparty repo

- In a Triparty repo post-trade processing --- collateral selection, settlement, custody and management during the life of the transaction --- is outsourced by the parties to a third-party agent.

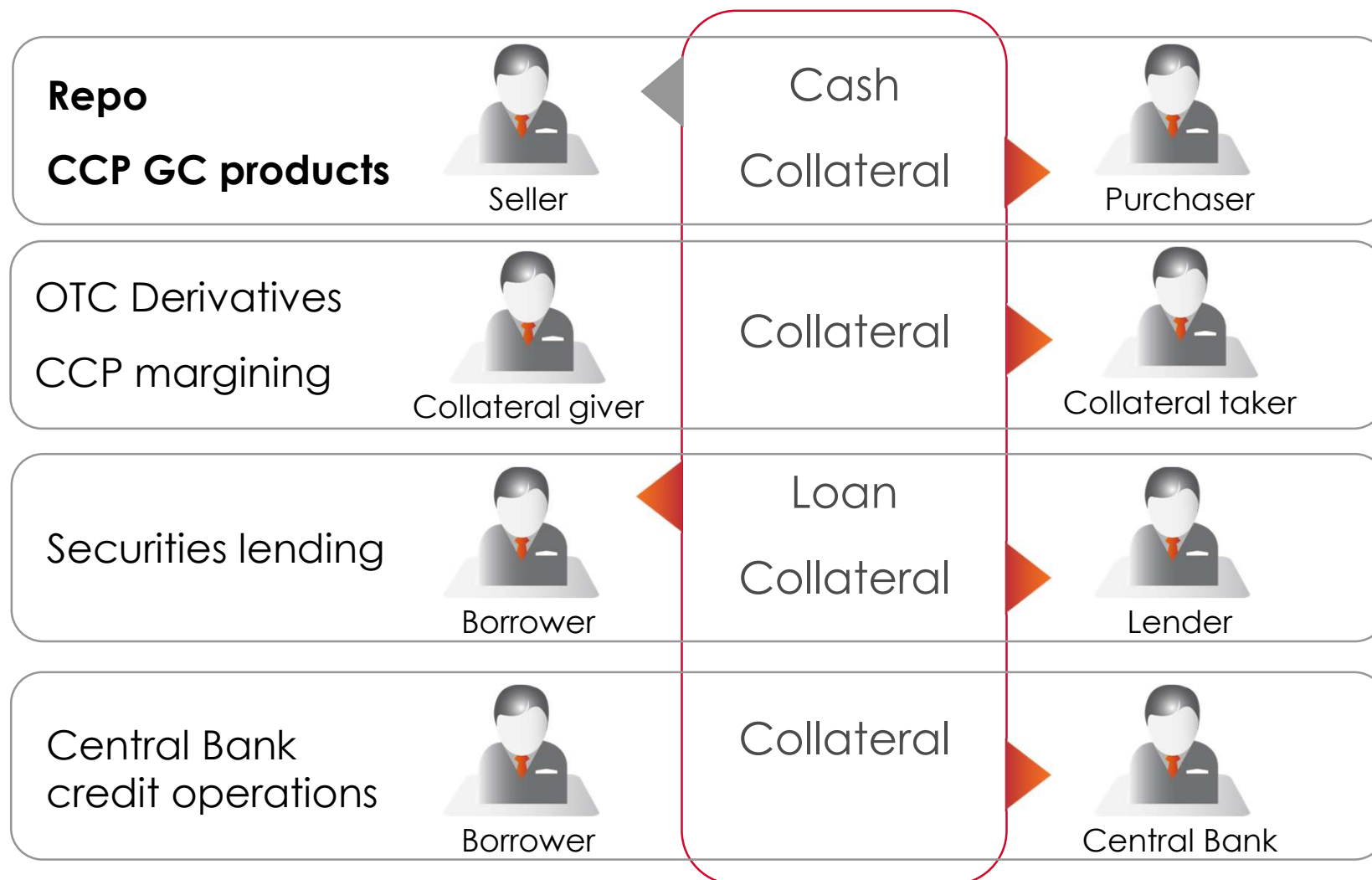


- The agent does not participate in the risk of transactions. If one of the parties defaults, the impact still falls entirely on the other party. This means that parties to tri-party repo need to continue to sign bilateral written legal agreements such as the GMRA.



Triparty collateral management

Multiple products, multiple users





Post-trade made easy

Triparty collateral management

Mitigating risks

Counterparty
risk



- Thorough selection of counterparties
- Collateralising exposures
- CCPs

Legal
risks



- Market standard legal agreements
(e.g. GMRA or GMSLA)

Triparty collateral management services

Market risk on
collateral



- Clear definition of eligible collateral
- Diversification through concentration limits
- Over-collateralisation through margins

Operational
risks

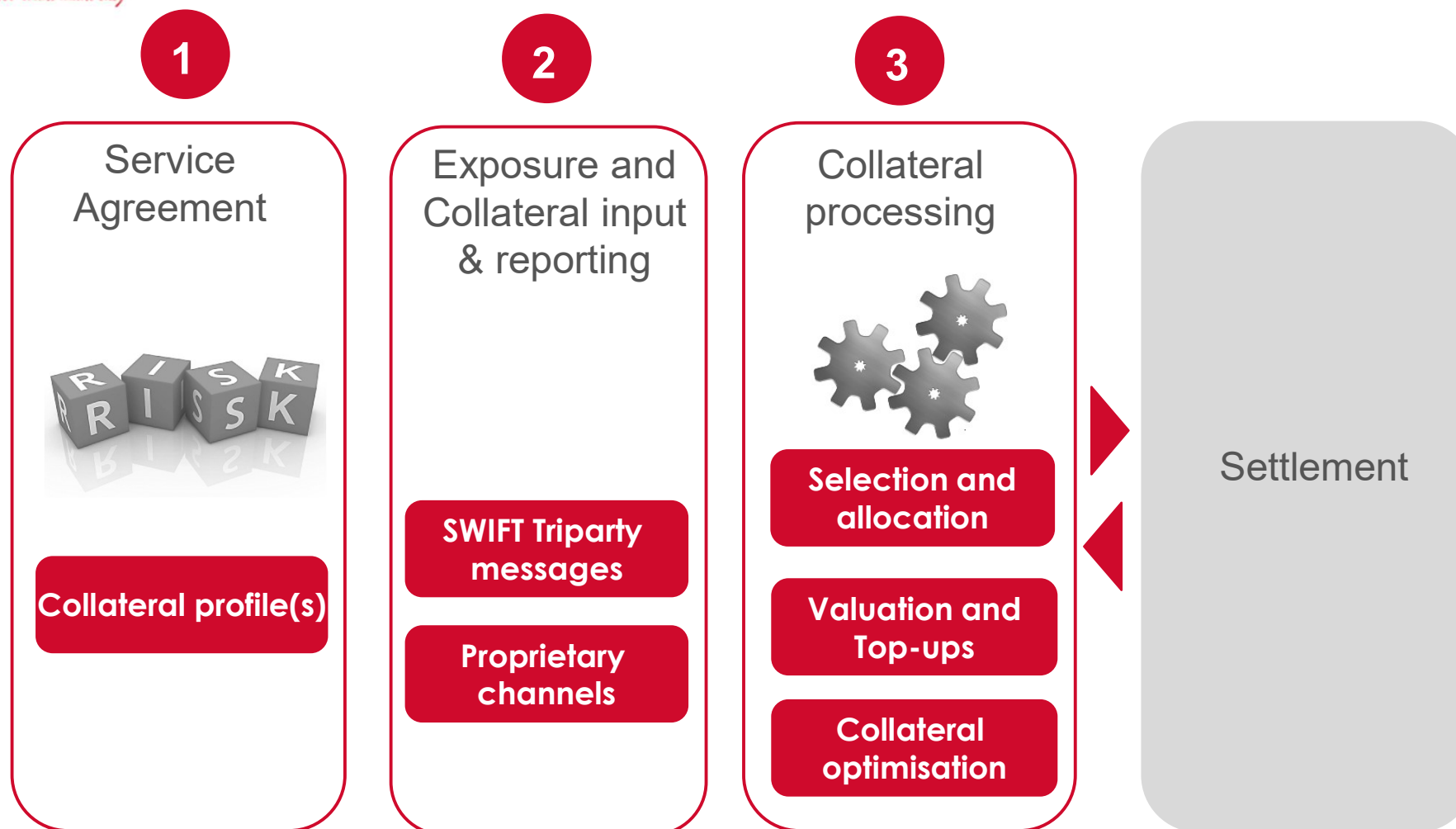


- Settlement risk
- Collateral monitoring
- Corporate events processing



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Triparty collateral management In practice





Triparty collateral management

In practice

Collateral Taker can:

- ✓ Exclude certain risks
- ✓ Limit certain risks/
diversify across types
- ✓ Over-collateralise

Collateral profile

- Eligible security
- Concentration limits
- Margin percentage

Equities

- Quotation age
- Indices
- Sector
- Market Cap
- Country of issue
- Traded volume

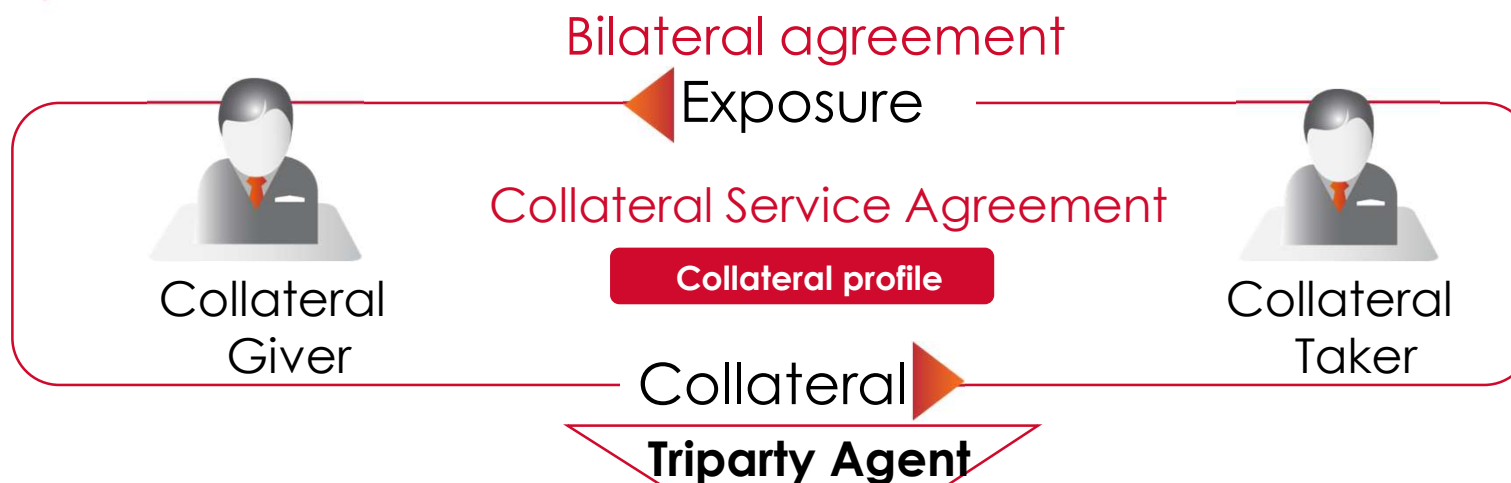
Fixed income

- Time to maturity
- Instrument type
- Rating
- Issuer type
- Country of Issue
- Quotation age



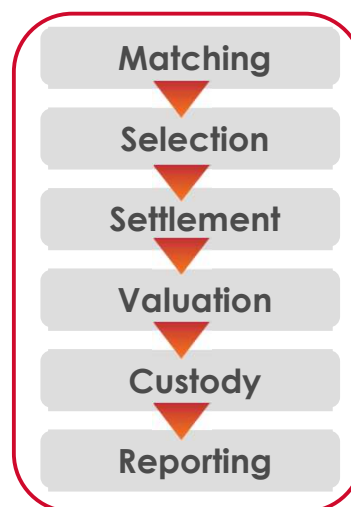
Triparty repo & collateral management services

Processing & Reporting



Processing

- Match terms of the deal
- Verify collateral eligibility
- Transfer the securities
- Daily Mark-to-Market
- Automatic margin calls
- Automatic substitutions
- Automatic Corporate Actions
- Collateral re-use

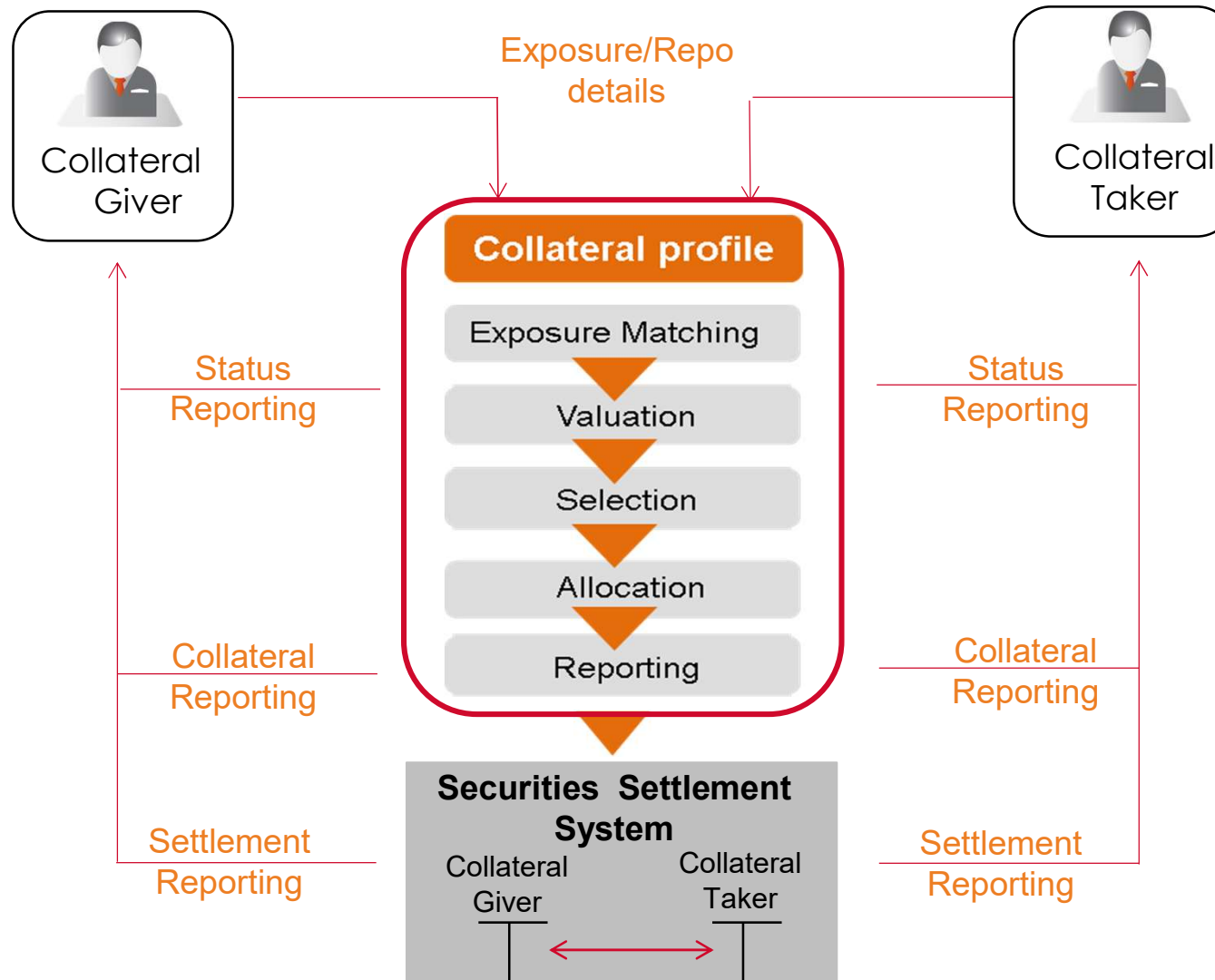


Reporting

- Validation & matching
- Margin
- Settlement
- Custody
- Risk Management



Triparty collateral management In practice





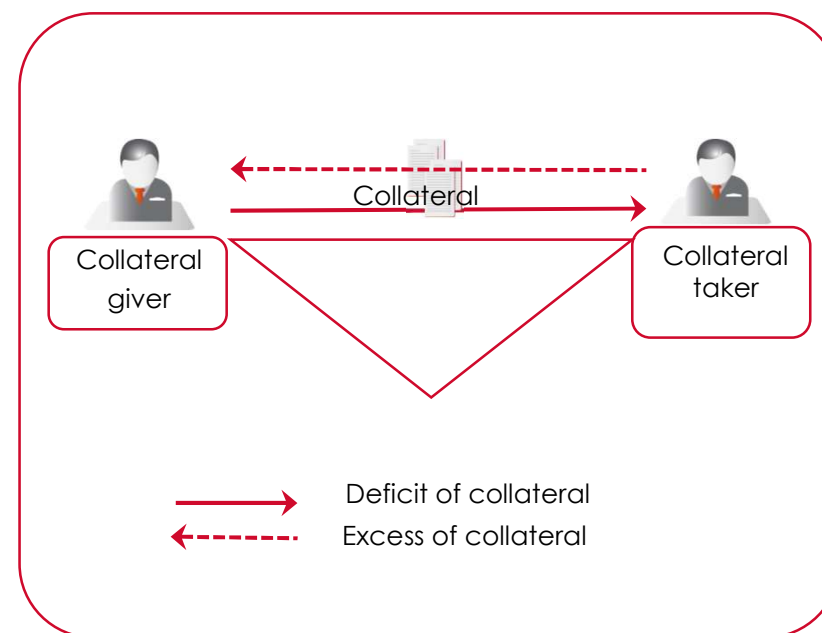
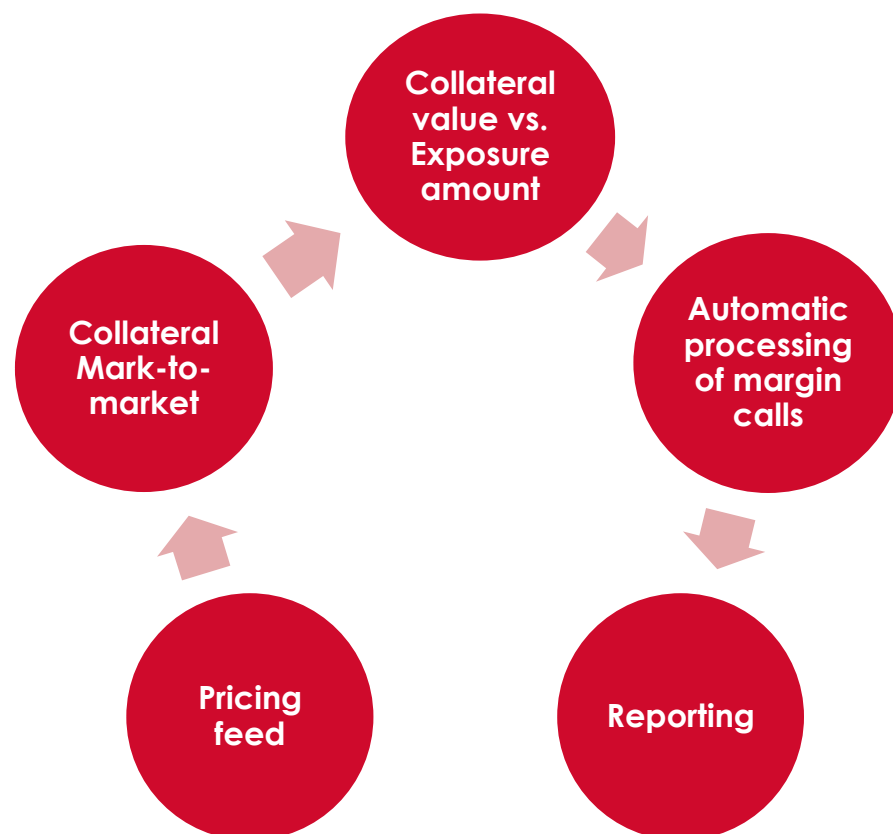
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Triparty collateral management

Collateral valuation and margin calls

WHAT IF

- Collateral value does not cover the exposure amount
- Collateral value exceeds the exposure amount





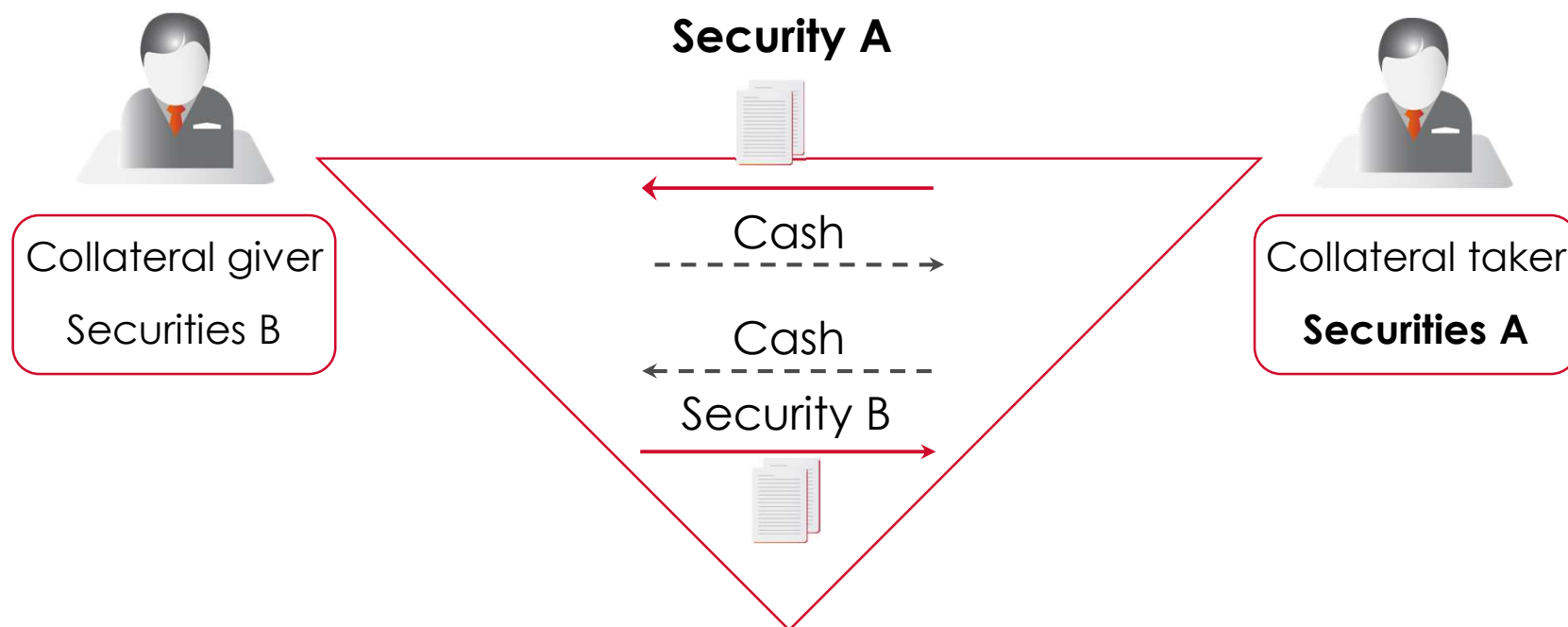
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Triparty collateral management

Automatic substitution

WHAT IF

- Collateral giver needs to deliver Security A
- Security A is not eligible anymore
- Collateral Giver to recall Security A for corporate event

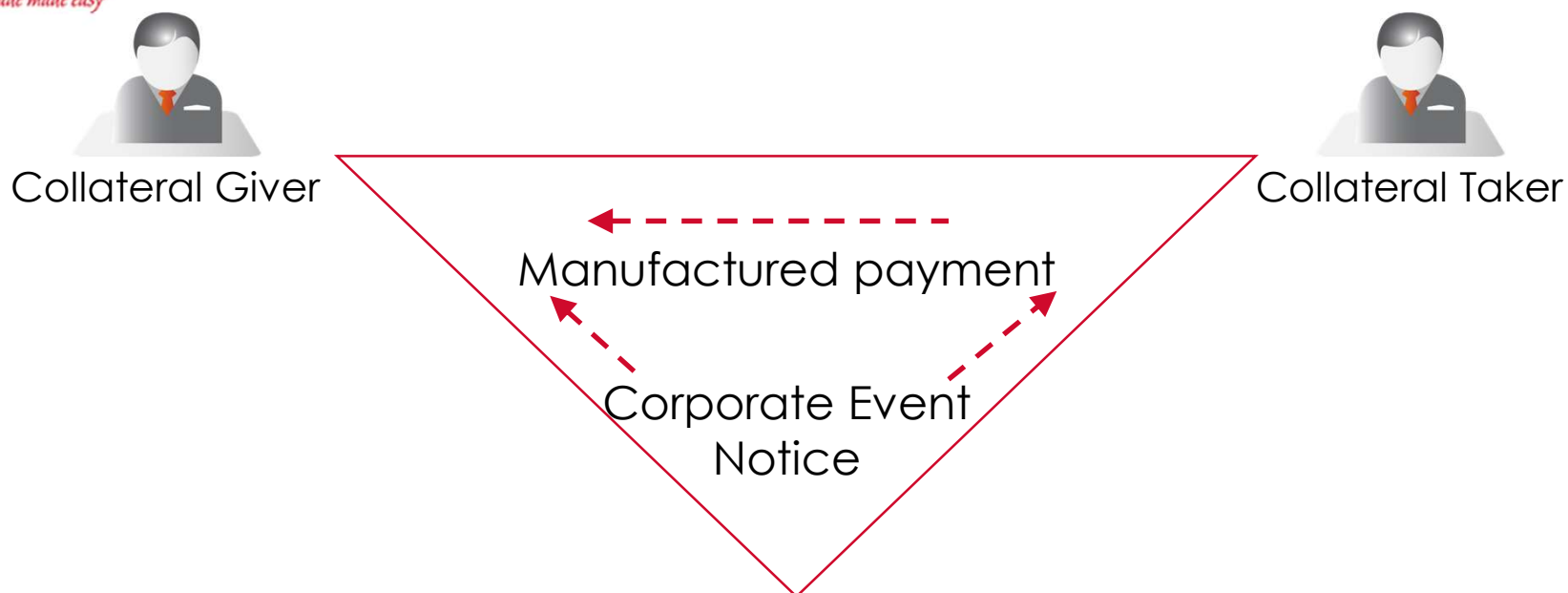




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Triparty collateral management

Corporate Actions



Example of processing:

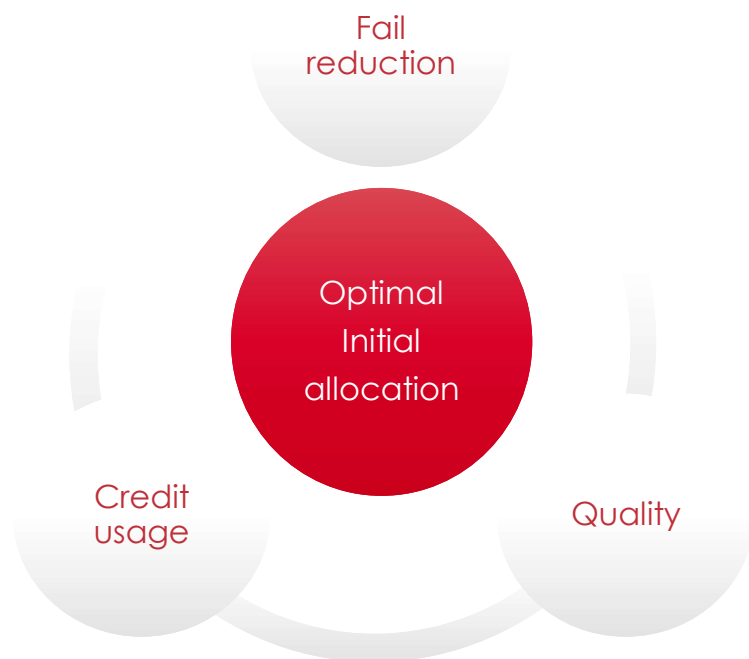
CA event with equal Withholding Tax	-----▶	1. Manufactured payment
CA event with different Withholding Tax	-----▶	2. Substitution of securities
Mandatory events	-----▶	3. Substitution of securities
Voluntary events	-----▶	4. Substitution of securities upon request

Substitution when required (can be several days before record date)

Pro-active action for specific events (e.g. voluntary events)



Collateral optimisation options



Allocation optimisation

Maximise the collateral allocation across counterparties

Portfolio optimisation

Maximise collateral usage intra-day based on asset quality

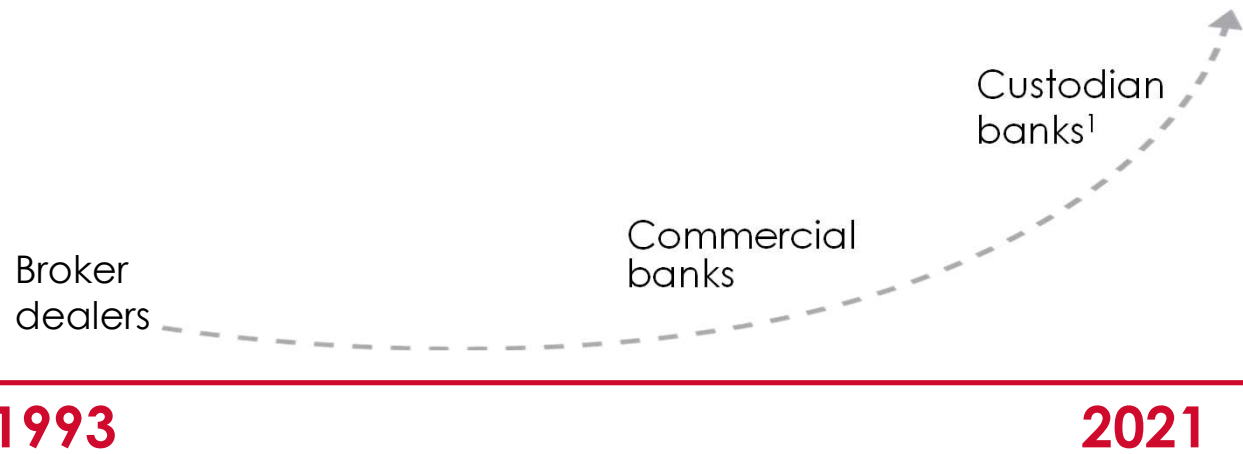
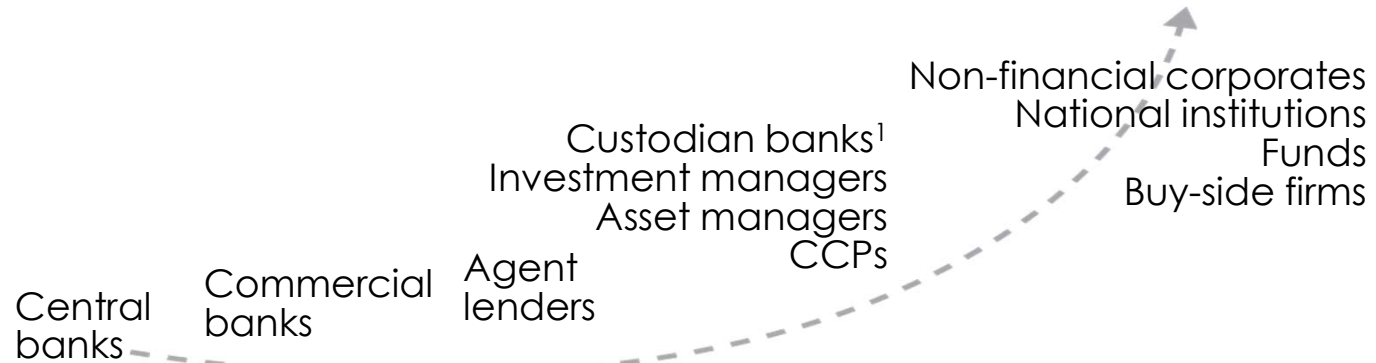
Credit optimisation

e.g. minimise the credit usage of rolling overnight repos



The triparty landscape

Diversified players...



(1) Acting as representative



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