Triparty Repo
Application and Developments

ICMA Professional Repo and Collateral Management Course

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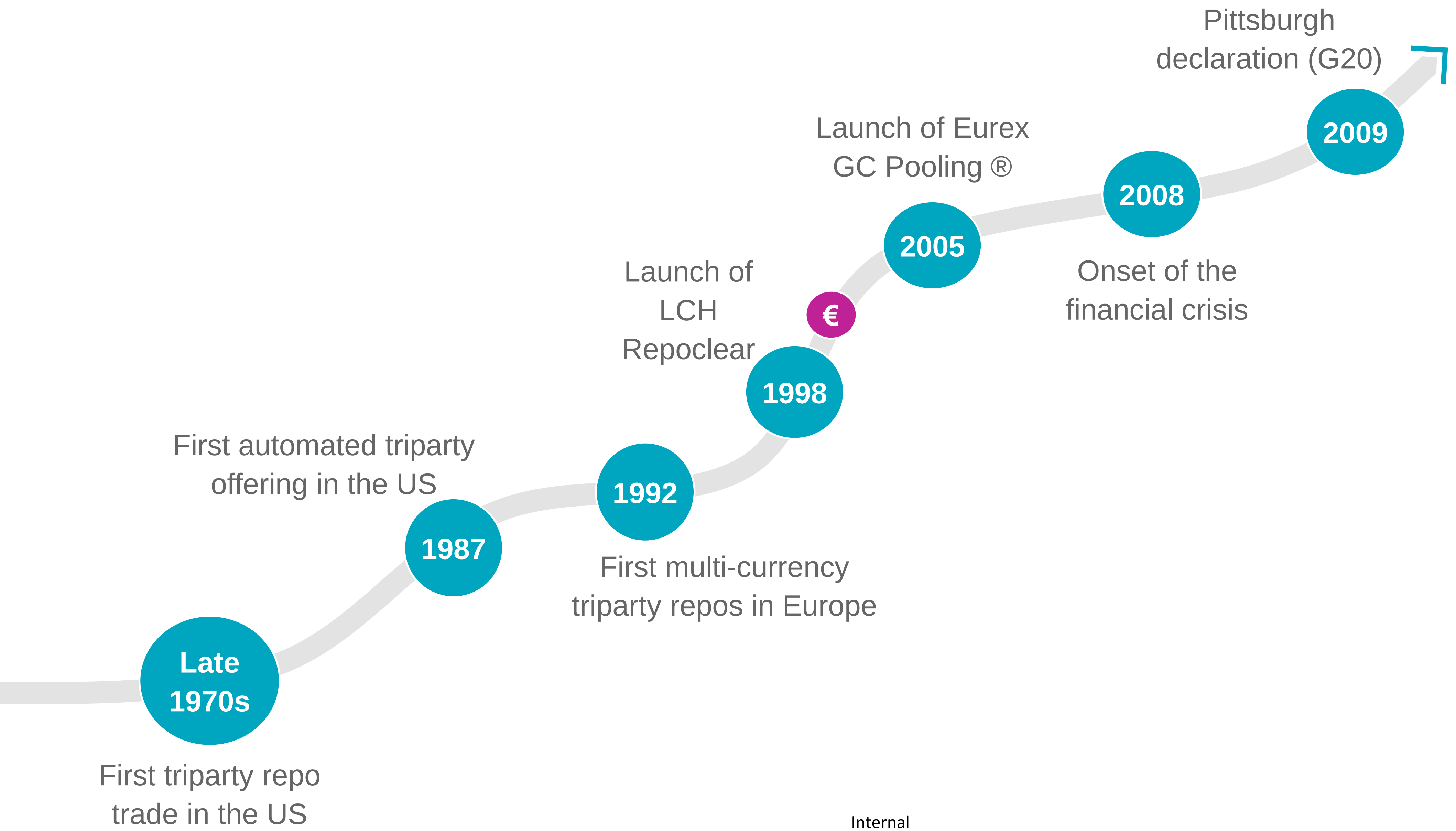
clearstream | DEUTSCHE BÖRSE GROUP

In the beginning……



2010 and the dawn of a new collateral era

Banks focused on mobilizing assets as part of a ‘follow the sun model’

Market participants were keen to attract new sources of secured funding and liquidity

Increased demand to access new collateral markets and domestic pools

Markets began the implementation of a number of new regulatory change initiatives

Why collateral remains at the heart of financial stability

A new baseline

The principles agreed at the G20 Summit in 2009 highlighted the importance of collateral and liquidity management to the wider ecosystem.

Triparty repo and the wider collateral management offering of triparty agents proved beneficial to market participants looking to overcome the challenges that were posed in the aftermath of the financial crisis

Overcoming fragmentation: Market participants started to re-assess the usage of their global inventory and implemented triparty collateral solutions to mobilize and optimize assets more efficiently

Accessing new collateral markets: Triparty agents expanded their coverage to new markets and asset classes. Some even implemented white-labelled domestic collateral management services

Unlocking new sources of funding and liquidity: There was a renewed focus on locating HQLA for repo and securities lending as well as initiatives to attract new 'buyside' entrants to the market

Implementing regulatory change: Market participants built new operating models to comply with new liquidity management guidelines as well as the rules imposed through uncleared margin reform (UMR)

‘R’ numbers in European financial markets

The updated Basel guidelines placed constraints on how banks and financial institutions manage their funding and liquidity requirements. The introduction of the **liquidity coverage ratio (LCR)** and **net stable funding ratio (NSFR)** seek that banks diversify their funding sources as well as reduce their dependency on short-term wholesale markets

Prudential regulation	Short-term stress events	Long-term stable funding
CRD / CRR Capital Requirements Directive and the accompanying Requirements Regulation are two pieces of EU legislation that set out the rules for the prudential regulation of authorised banks and credit institutions	**LCR** The Liquidity Coverage Ratio requires banks to hold enough high-quality liquid assets (HQLA) that can be sold during a 30 day stress scenario designed by regulators	**NSFR** The Net Stable Funding Ratio requires banks to hold enough stable funding to cover the duration of their long-term assets (> 1 year). Lower requirements apply for durations of 6 months – 1 year

Source: Risk.net

The world is now more than just triparty repo……

Market participants started to expand the scope of their collateral management capabilities to:

- **Maximize** collateral value
- **Minimize** credit, capital and balance sheet

across **three broad areas**

- **Funding**
- **Financing**
- **Margining**

What triparty agents now offer as 'Collateral Management'

Repo

Uncleared and cleared triparty products

A **neutral agent** for repo transactions.

Access **to counterparties** acting as cash provider or taker.

Leveraging a single point of access for **centrally cleared** collateral baskets and single ISIN repos as part of a balance sheet netting solution

Benefit from technical workflow and **operational automation** across trading, clearing and post-trade service layers

Innovative legal documentation facilitating access to trading with multiple counterparties

Securities Lending

Principal and agency opportunities

Triparty loan and collateral services for uncleared principal or agency lending

Proven collateral management features complemented by **loan book valuation**

Integrated asset servicing, safekeeping, monitoring and settlement

Collateral **pledge** or **transfer of title**

Automated real-time reports and tools to customers to facilitate oversight and controls

A **modular and flexible triparty offering** for custodians and their beneficial owners

Margining services

Coverage of UMR and CCP obligations

Management of a **single collateral pool** to bridge both UMR and CCP margin obligations

Reduction in operational risk and burden by outsourcing to a triparty collateral agent to avoid cumbersome bilateral deliveries

Benefit from **standardized ISDA documentation** as well as Bloomberg asset classification for your UMR activities and collateral schedules (eligibility, haircut, concentration limits)

Digital workflow tools to facilitate the drafting, negotiation and execution of your collateral schedules

Collateral Features

Smart allocation and optimization models

Optimal re-use of collateral (cash, bonds, equities and funds) across products, counterparties and locations

Sophisticated allocation algorithm monitoring both bilateral activities and triparty obligations

Flexible optimization rule sets using a number of different variables to **control collateral allocations** effectively

Continuous addition of **new features** and third-party vendor integration designed to increase the value of the end to end workflow

Full suite of **instruction management and reporting options** available

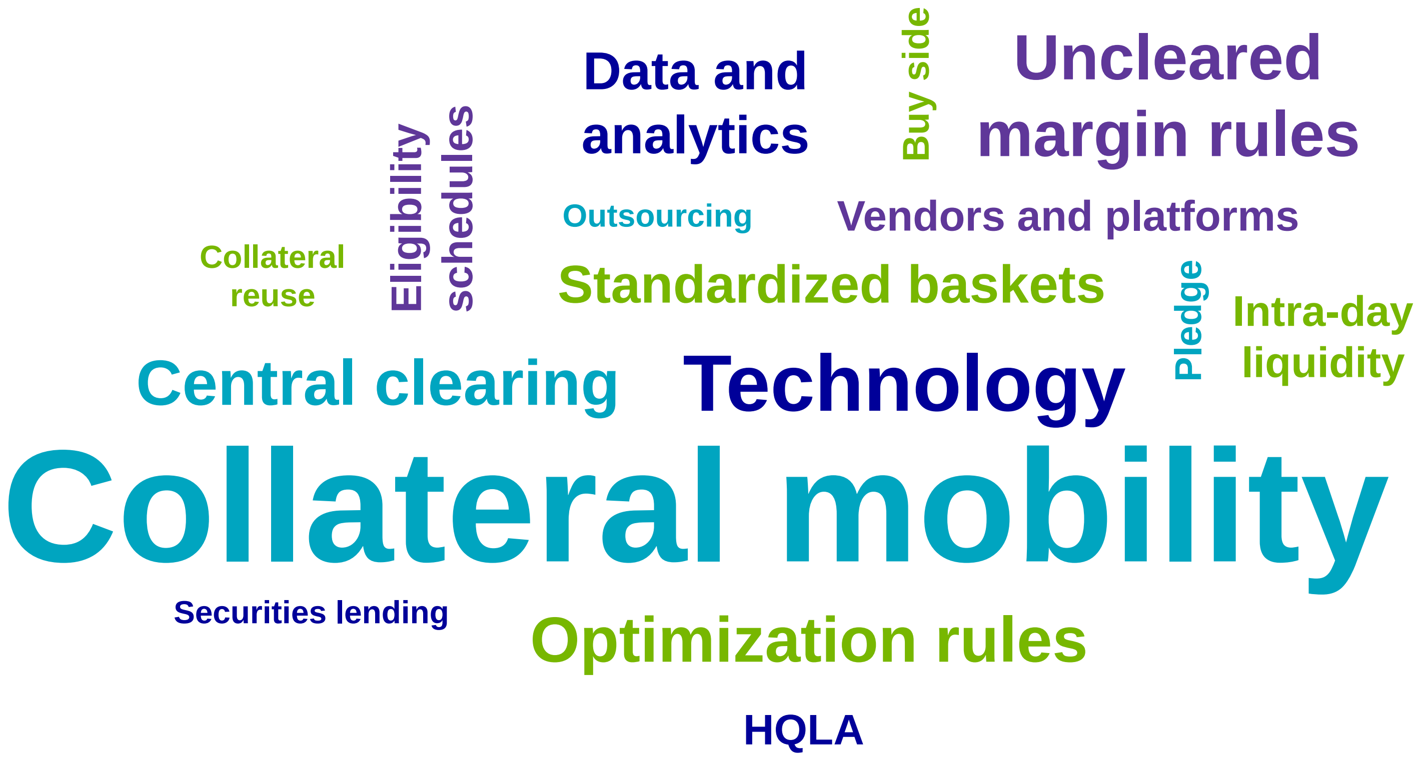
How collateral mobility has evolved over the past decade

Safety in numbers

The ability to mobilize collateral efficiently and effectively at scale across different venues, platforms and systems is critical to the stability of the financial ecosystem and to reduce both systemic and counterparty risks.

Data and digitization

Market participants have started to leverage innovative technology options either built in-house or developed through third-party vendors to accelerate collateral velocity and promote standardization and harmonization of key features across the triparty community



Further harmonization planned for Europe

November 2022

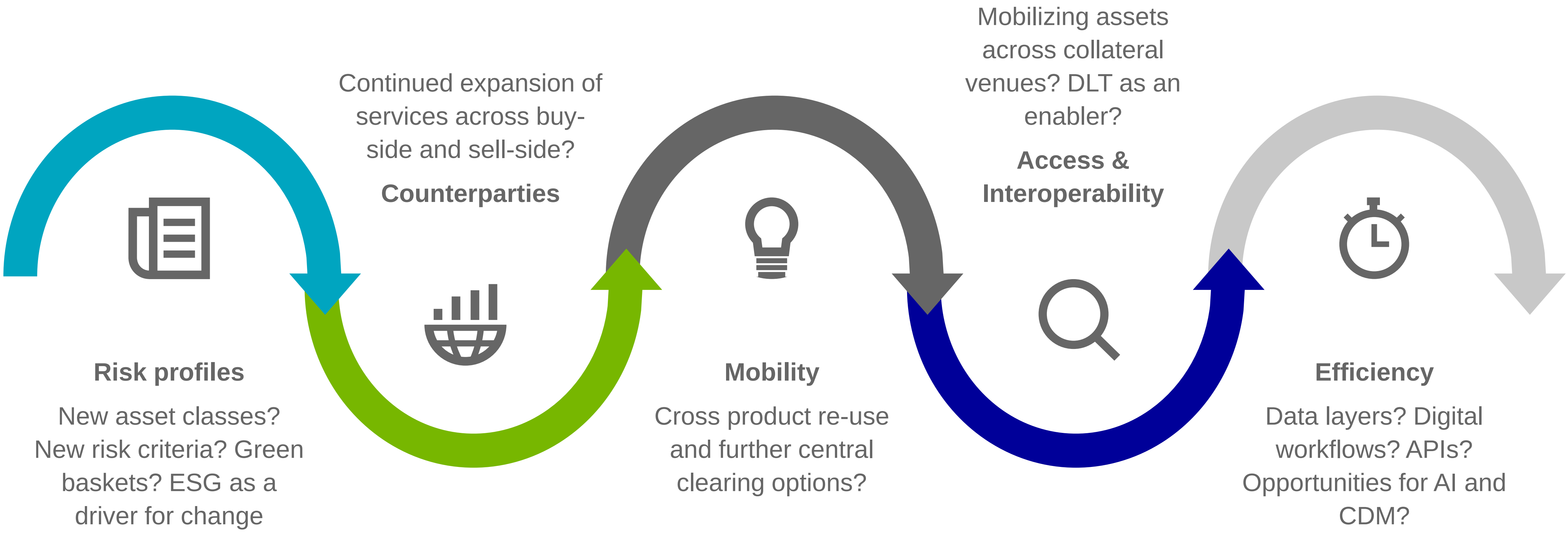
The Eurosystem has launched a project to consolidate Target2 and T2S in terms of both its technical and functional aspects.

November 2023

The implementation of the Single Collateral Rulebook for Europe (SCoRE) and the launch of ECMS for the collateral managed by the Eurosystem

“Can firms accelerate collateral transformation using digital tokens exchanged on the blockchain?”

The future of triparty repo and collateral management



Questions?