

Case Study

Preparation for uncleared margin requirements and consolidation of legacy systems

As a result of infrastructure changes and regulatory guidelines, a Tier 1 Bank needed to upgrade its collateral management systems to meet industry best practices

The Bank provides global market access to corporate and institutional customers, offering trading, risk management and financing solutions through its trading and sales operations globally.

Business situation

The Bank required a collateral management application that would consolidate its existing collateral infrastructure of many legacy applications, into one solution. The investment bank wanted a robust collateral management system to handle large volumes but also a solution which was sophisticated enough to cope with complex trade structures and credit support annexes (CSAs).

The solution

TLM® Collateral Management offered the Bank an end-to end collateral management solution, featuring exception-based workflows, sophisticated eligibility and concentration rule builders and open APIs for connectivity to upstream and downstream systems. Implementation of TLM Collateral Management allowed the investment bank to migrate all regulatory agreements into one solution.

Key benefits

- ▶ Consolidation of existing collateral infrastructure into one solution
- ▶ Implementation of the latest version of TLM Collateral Management for regulatory agreements

The Bank required a collateral management solution that would consolidate its existing collateral infrastructure, of many legacy applications, into one platform. With a diverse client base ranging from large broker dealers to small hedge funds, the Banks' requirements also extended to a solution for managing both complicated eligibility and concentration rule schedules, as well as the expected volume growth resulting from more firms falling under the regulatory scope of BCBS-IOSCO's uncleared margin rules. While the bank wanted a robust collateral management system to handle large volumes, it also sought a solution which was sophisticated enough to cope with complex trade structures and credit support annexes (CSAs).

- ▶ The Bank wanted to draw all collateral business on to one platform that would accommodate growth over the coming years. This would enable it to retire the many interconnected legacy systems in its collateral management operations.
- ▶ The increasing number of regulatory agreements meant the Bank had to have a platform that would scale with predicted volume increases.
- ▶ The Bank required full regulatory compliance, and to handle large amounts of data through automated workflows.

The project brief: objectives

- ▶ Retire old solution and implement TLM Collateral Management
- ▶ All regulatory collateral agreements to migrate to the new version
- ▶ Go-live within a year
- ▶ Full STP workflows

A proven solution

TLM Collateral Management has been used by the financial industry for over 20 years, and is proven to handle the performance and scalability requirements demanded by the markets' largest participants. The solution's performance has been tested against millions of trades and many thousands of agreements, which is why TLM Collateral Management continues to be used by some of the largest global sell-side institutions. Its reliability - in terms of code quality and zero bug mantra - provides further assurance to its existing and prospective client base.

Features include:

- ▶ End-to-end collateral management
- ▶ Exception-based workflows, with true straight-through-processing
- ▶ Sophisticated eligibility and concentration rule builders
- ▶ Triparty verification
- ▶ No commingling of client data
- ▶ Connectivity to AcadiaSoft
- ▶ Out-of-the-box reporting
- ▶ Built-in inventory management with optimisation
- ▶ Complete audit of data and workflow transitions
- ▶ Open APIs for connectivity to upstream and downstream systems
- ▶ High quality software with zero bug deployment

TLM Collateral Management also includes a comprehensive interactive Help Suite, which means that even those with limited knowledge can operate and troubleshoot the system with ease.

A seamless transition

The principal element of the collateral management project was the collaboration between the Bank and SmartStream. The teams on both sides quickly formed a close working relationship, based on mutual trust and open communication. Throughout the project realistic goals were set, issues were resolved quickly, and problems escalated efficiently. This resulted in the project running on time and on budget.

SmartStream's TLM Collateral Management offered the Bank an end-to-end collateral management solution, featuring exception-based workflows, sophisticated eligibility and concentration rule builders, and open APIs for connectivity to upstream and downstream systems. Implementation of TLM Collateral Management allowed the investment bank to migrate all legacy and regulatory collateral agreements, and retire its old collateral management systems.

Using TLM Collateral Management's best practice margin call workflow, a Bank can manage margin calls for OTC, repo and securities lending agreements, as well as all cleared collateral business.

Confidence is provided to the Banks' collateral managers as both four- and six-eyes approvals of collateral bookings can be enabled through the workflows. Automated dispute identification facilitates quick resolution with counterparties.

Through TLM Collateral Management, the Bank is able to control and verify data in a more efficient manner. All changes to static data can be four-eyed, and are fully audited. All workflows are audited via the transitions history, ensuring calls and bookings are fully tracked.

Additionally, the triparty verification module enables the Bank to check triparty positions for breaches in pricing eligibility, concentration and wrong-way risk.

Additionally, by utilising the solution's open API endpoints, the Bank can directly transfer data to downstream and upstream systems.

By allowing users to easily configure new formats from the application itself, TLM Collateral Management's Imports module promotes flexibility and permits the bank to load trades and reference data on a scheduled basis, improving operational costs.

Additional benefits include:

- ▶ End-to-end STP workflow
- ▶ Comprehensive agreements and eligibility schedule warehouse
- ▶ Inventory management
- ▶ Connectivity and automation as standard

A successful outcome

Following a positive project experience, which saw a team approach maintained throughout, TLM Collateral Management was successfully implemented and is live at the Bank. The project remained on schedule and within budget throughout the transition. This has allowed the Bank to fully retire its previous collateral management systems, as well as store and process the Banks' regulatory agreements. SmartStream demonstrated its ability to run a complex project successfully in a short time period. As a result, the Bank rewarded SmartStream with further project implementations.

The project delivered the following successful outcomes:

- ▶ Consolidation of existing collateral infrastructure into one solution
- ▶ Implementation of the latest version of TLM Collateral Management for regulatory agreements
- ▶ Timely project delivery, and on budget

Customer testimonial

"The Collateral Project with SmartStream was founded on good communication, and positive team interaction. This enabled us to resolve issues quickly and move the project on at pace. It was a credit to both firms that go-live happened on time and within budget. The project with SmartStream has consolidated our Collateral Management infrastructure onto one solution, and the partnership continues with the deployment of their TLM Cash and Liquidity Management solution".

Head of Collateral Management, Tier 1 Bank

About SmartStream

SmartStream is a recognised leader in financial transaction management solutions that enables firms to improve operational control, reduce costs, build new revenue streams, mitigate risk and comply accurately with regulations.

By helping its customers through their transformative digital strategies, SmartStream provides a range of solutions for the transaction lifecycle with artificial intelligence and machine

learning technologies embedded – which can also be deployed in the cloud or as managed services.

As a result, more than 2,000 clients – including 70 of the world's top 100 banks, rely on SmartStream Transaction Lifecycle Management (TLM®) solutions to deliver greater efficiency to their operations.

For more information about SmartStream visit:
smartstream-stp.com