

Five down, one to go !

As wave 5 of the Uncleared Margin Rules (UMR) went live, firms in scope for wave 6 have one more year ahead to prepare before the final deadline. At VERMEG, we worked closely with our clients to meet this year's date of September 1st, to ensure our clients are prepared to exchange regulatory Initial Margin (IM) as well as monitor the 50M threshold.

COLLINE, our collateral solution, is the central component of the operating model built to automate the Initial Margin workflow, while connecting to utilities or third-party vendors to comply with the regulations. Most clients leveraged COLLINE to streamline downstream processes like Initial Margin settlement using its native SWIFT connectivity to Triparty Agents and Third-Party Custodians.



Eligible Collateral Schedules

With each new phase of UMR going in production, we have seen greater flexibility on non-cash collateral which brings an increased complexity around the collateral eligibility rules - particularly in respect of equities. To address the evolution in the industry, we continually refine COLLINE's standardized collateral schedules to offer improved and increased interoperability as agreements are negotiated, applied and frequently exchanged between many firms in the chain like triparty agents, collateral services providers, buy-side clients and Banks.

To meet and automate evolving interpretations, we have introduced more flexibility to COLLINE's Collateral Eligibility Rules engine and extended its model to concepts like minimum concentration limit and issue outstanding amount. We have also worked on the integration with the Common Domain Model (CDM) representation to make sure that COLLINE can ingest and produce digital copies of the ECS according to market standards. Lastly, we have delivered standard API's which allow applications to interoperate with COLLINE's industry leading eligibility template and inventory manager.

COLLINE Collateral suite



As the largest provider of dedicated collateral management suite available, COLLINE receives product investments to deliver further automation and STP to operations, treasury and trading desks. VERMEG leverages new technologies to provide additional operational and funding efficiencies to our clients.

COLLINE provides a package of cloud-enabled services that supports organizations to continuously improve their operating model across processes, technology, people and data.

Typically, firms combine many of the following services according to their collateral target operating model:

- / A comprehensive repository for legal and collateral agreements with interoperability based on Common Domain Model (CDM) standards;
- / A rich rule builder for Eligible Collateral Schedules according to CDM standards;
- / Initial Margin Calculation using SIMM or Grid methodology and 50M IM threshold monitoring;
- / STP – SWIFT connectivity to Triparty agents (Bony, JPM, Clearstream, Euroclear, BNP Paribas, State Street) and Long-box inventory management;
- / STP – SWIFT connectivity to Third Party custodians (More than 100 custodians globally);
- / Cross-agreement margining for multiple business lines (Non cleared OTCs, Cleared OTCs, Repo, SBL, ETDs);
- / Integrated support and automation of 'Greater of' and 'Allocation' initial margin methodology;
- / Asset and Inventory Optimization to automate delivery and recall bookings. The source of rules can be any combination of client-sourced rankings or COLLINE sourced algorithmic or asset-rank optimization which use agreement eligibility and haircuts along with collateral availability characteristics to determine cheapest-to-deliver and waterfall or greedy allocations across currencies and asset classes;
- / Email processing automation – The inbound email generates an automated set of tasks starting with the validation, identifies intent (e.g. margin response or trade confirmation), and uses the embedded information to automate entries in client downstream systems.