



## Newsletter

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### Introduction

Collateral teams at Banks, Brokers, Buy-side, and propriety trading firms were recently placed under pressure in coping with the spike of margin calls' volumes. The challenges observed during the pandemic are not new but they were exposed by a combination of factors that ensued in a very short timeframe. Those challenges highlight the importance of maintaining cutting-edge collateral management capabilities that enable collateral optimization, automate margin processes and prevent settlement fails, while pursuing compliance to an ever-shifting regulatory landscape.

At VERMEG, we continue to invest in our collateral solution, Colline, to ensure the appropriate technical and business innovations in order to meet both these challenges and those of the future.

### Monitoring of Settlement Fails

With the increase in margin call volumes, firms experienced a significant increase in settlement fails, especially for securities. A large number of buy-side organizations still rely on email-based communications and manual web portals to manage these processes. The lack of systemic monitoring of late settlements prevents firms from maintaining an accurate collateral inventory and thus limit optimization capabilities.

We continue to extend Colline's connectivity to the SWIFT settlement infrastructure to enhance operational efficiency, automate settlement cycles, and proactively manage settlement fails. As well as providing a repository for (cash and securities) standard settlement instructions, both MT5XX and MT2XX SWIFT series are managed with flexible SWIFT templates that can be adapted through configuration (no-coding) to cash correspondents and custodians' specificities to facilitate the integration to global settlement networks.





## Collateral Optimization:

Over the past five years, we have observed a substantial increase in demand for collateral due to various interacting pieces of legislation that came into force, such as central clearing, uncleared margin rules (UMR), and Basel Liquidity Ratios requirements. The recent downward pressure on asset valuations has further stressed the demand for collateral and it has highlighted the need for flexible and robust optimization capabilities. Obviously when the demand goes up against a fixed supply, so does the price. However, managing collateral in an optimized manner requires some prerequisites that many firms cannot commit to without a clearly articulated benefit case.

At VERMEG, we have been investing for many years in the technology that supports such benefits. Colline Optimiser is a standalone module, deployable on the cloud or on-premise. It is a comprehensive optimization engine that centralizes the inventory of assets across business lines (Repo, SBL, Derivatives, etc.), the demands of collateral from all sources (CCPs, Bilateral, Treasury, etc.) and the data needed in terms of constraints (eligibility rules, CSA legal data, etc.) and cost (Funding, Haircuts, etc.). The optimization engine combines the available inventory, collateral demands and data to run a variety of algorithms to generate proposed asset allocations or substitutions, along with associated cash & security movements and costs.

During times of market volatility and liquidity stress, where firms tend to allocate available and not necessarily optimal assets, the use of such an engine can significantly reduce the collateral funding costs for firms' own assets or clients' assets when collateral optimization is offered as a service to customers.



## Initial Margin (IM) threshold monitoring Service:

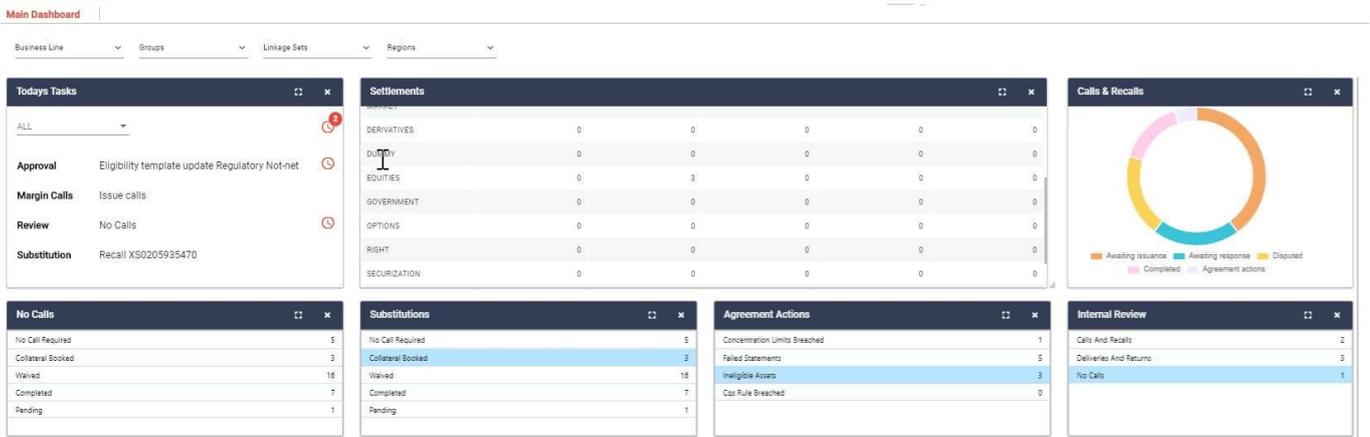
Most regulators adopted the one-year delay in Uncleared Margin Rules (UMR) implementation. Firms in waves 5 and 6 now have the opportunity to reassess their approach and rethink strategically the solutions that they were considering before the pandemic. Colline can help by either taking in trades and sourcing market data to generate the CRIF (Common Risk Interchange Format) or by taking in the CRIF file to calculate the SIMM, calculate in parallel Grid IM for comparison purposes, monitor the threshold and activate initial margin settlements through Triparty agents and Third-Party Custodians, if needed.



### News:

## Colline with a new skin by Q4 2020!

In the last Newsletter we introduced the digital journey upon which Colline has embarked to completely change its Front End and embrace a new User Experience. We are pleased to announce steady progress thanks to our digital framework (Palmyra) and the final release is planned for Q4 2020.



## A new client with project delivery in the midst of the pandemic!

We have re-engineered our project delivery model to bring one of the largest global bank branches into production, despite the challenging lockdown conditions. We have achieved an efficient and entirely remote delivery of the production-ready solution, inclusive of training, within weeks from the project kick-off.

\***Palmyra** is Vermeg's home-grown digital transformation platform. In addition to being used by many high-profile clients, It is also used by VERMEG as a development toolkit to maintain and develop its other products (Megara, Solife, Soliam, Colline, etc.). For more information, please visit <https://www.vermeg.com/digital-financial-services.html>



If you'd like more information on Colline, please contact us at [communication@vermeg.com](mailto:communication@vermeg.com)