



Newsletter

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Introduction

During these COVID-19 difficult times, we generally tend to step back and look at how we can help to strategically adapt and shape the **New Norm**. At VERMEG, we believe that it's a good time to further accelerate the pace of the investments to bring needed technological and business innovations to address the post COVID-19 period challenges. Multiple drivers such as compliance to regulations, the efficiency of the margining process and seamless connectivity will remain on the list of high priorities. While moving towards a fully automated margining process is extremely important, we are also working on offering our clients the tools to embrace this **new digital era** and to enhance their **value chain** by widening the opportunities where Colline can help extend and enrich their financial services.

Product Investments

IM threshold monitoring Business Service: To help UMR wave 5 and 6 firms in their compliance journey, we released a SIMM Service allowing the set up of an end-to-end **operational framework** to monitor the 50M IM threshold. It includes Agreements set up, threshold per groups and funds, calculation of the SIMM (or Schedule based) IM and **automatically alerts** decision makers of any internal threshold breach prompting the required actions.



Triparty Agent connectivity: Many of our clients had already rolled out this module within their daily margining processes. With UMR wave 5 and 6, additional volumes of IM Calls going through Triparty require automation and focus on business exceptions management. Clients can agree and send the RQV, receive back processing status advice and final allocation from the agents and update Colline's **inventory in real-time**. Additional internal eligibility checks are triggered and applied on top to automatically alert users of any breach. The scope covers the most popular agents (Euroclear, Clearstream, JPM, BNYM) and is being extended to support others.



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Third-Party Custodian connectivity:

Many firms exchanging IM to comply with UMR may also require the Third-Party Custodian Service using MT54X series to deliver or receive securities and MT2XX series for cash collateral. The management and integration of those swifts have been added to Colline enabling clients to follow in **real-time the settlement** of their instructions and their custody and segregated accounts holding. This offer is currently being extended to cash and securities reconciliation through MT53X and MT9XX series in order to have an end to end management of the securities involved in IM collateralization

Expected Margin Call notification: Many of the firms coming into phase 5 and 6 UMR scope (especially small buy-side firms) will rely on their sell-side counterpart as external 'calculation agents'. For that reason, we have worked with key sell-side clients to help them extend their offer to process and notify buy-side counterparts of any margin call that they would issue as if they were doing it internally.

Greater of/Allocation margining approach:

Buy-side firms coming into scope of exchanging IM under the Uncleared Margin Rules (UMR) have been penalized by paying house IA under a legacy agreement or VM regulatory agreement as well as under the new IM regulatory one. Following industry consultation, coordinated by many key players including sell-side and buy-side firms, we enhanced Colline to manage such a **new margining approach** in partnership with many clients. This function has also been extended to manage the connectivity to Acadiasoft.

ETD collateralisation: ETD collateralisation has been historically managed through internal builds. We have been collaborating with a global market leader to modernise its IT landscape in this field. We offer a scalable, robust and flexible engine within Colline to allow our clients to provide better services to their clients at an efficient cost. High flexibility in the definition of the accounts' hierarchy and the setup of the liquidity pooling and funding rules are key to adapting to global trading and servicing strategies. The ETD module is completely integrated into the modular offer of Colline supporting cross-margining capabilities and a **unique client onboarding to offer a suite of margining services** for ETD, Cleared OTC, Uncleared OTC derivatives, Repos and Stock Lending & Borrowing





Cloud SaaS towards PaaS Offer: The regulatory framework has evolved globally allowing all size of banks (including Tier 1) to leverage a mature and secure public Cloud offering. VERMEG has been providing Cloud managed services since 2012 and many of our clients have been using Colline on the Cloud for multiple years handing over the technical administration and upgrades of the system to VERMEG. We have extended our services to include different levels of **support dedicated to the Operations** and Business, additional cloud providers and DB systems to offer a custom fit for purpose infrastructure. The microservice architecture with a full “APIzation” strategy enables complete openness of the solution and **swift integration** to the collateral internal and external ecosystems through Rest APIs. We have also leveraged this to provide web services to our clients to enrich their offerings to their clients.

New Digital Experience: The “APIzation” work has enabled us to decouple the front and back ends of the application, preparing the ground to ‘plug in’ a **new Front End** based on new technologies. We have leveraged our digital framework (Palmyra) to efficiently manage the investment and increase the productivity of converting existing screens and bridging the new user experience to the back-end APIs.



Contact us

If you'd like to have more information on Colline, please write to communication@vermeg.com

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