



## Collateral Panel

Industry specialists reflect on the advancement of collateral management, from triparty to optimisation strategies, the impact of changing central bank policies and QT measures, as well as the integration of ESG considerations

### Panellists

**Marije Verhelst**, Head of Product Strategy and Product Development Collateral Management and Securities Lending, **Euroclear**

**Sagar Patel**, Head of Americas Tri-party, **J.P. Morgan**

**Ed Corral**, Head of Collateral, **Pirum**

**Marta Tymkowska**, Vice President, Alpha Collateral, **State Street**

**Wassel Dammak**, Director, Collateral Management, **Vermeg**

## How are advancements in triparty collateral management systems addressing the challenges of cross-border collateral mobility, particularly in fragmented regulatory environments?

**Marta Tymkowska:** For State Street, efficient collateral mobilisation is not just about moving assets — it is about making sure they are in the right place at the right time, without the cost and delays of fragmentation and inefficiencies. We are committed to enhancing collateral flows across our entire Collateral+ service, supporting both bilateral and triparty clients in optimising their asset deployment. By leveraging optimisation tools, we aim to enhance collateral funding strategies and to facilitate seamless transfer of assets on behalf of our clients. We are also enabling the streamlining of collateral movements across our network, ensuring that clients can access and deploy their assets more efficiently while minimising operational frictions.

**Sagar Patel:** Mobilisation of collateral between global entities has been a key theme, with no signs of slowing down — in fact, the trend is expected to accelerate. For example, we are seeing increasing demand and activity as borrowers raise securities locally and reuse them internationally, facilitated by the triparty infrastructure.

Emerging markets, in particular, are abundant with such opportunities. Consequently, it is crucial for market participants and service providers to find innovative solutions to address these mobility use cases. This involves consideration of unique regulatory and operational requirements, risk management, keeping pace with market changes, and unlocking yield.

In addition to confirming that models comply with local regulatory requirements, they must also limit operational burdens on triparty collateral providers and receivers. This involves designing operational solutions consistent with local legal frameworks.

Furthermore, on the operational side, it is important to create solutions that complement existing operating models and infrastructure. This includes leveraging existing systems and flows, connectivity, and reporting, as well as utilising existing legal contracts. Our experience in launching models in emerging markets has taught us valuable lessons on structuring solutions that do just that.

A recent example is local institutional firms in Mexico getting connected to triparty systems due to initial margin (IM) posting requirements under the Uncleared Margin Rules (UMR). The positive experiences of global institutions using triparty for hundreds of billions of dollars in IM posting have reassured the local Mexican market that triparty is a proven and trusted solution. Firms have been active on the triparty platform for UMR for several months now, experiencing operational benefits and unlocking additional economic value as the next consideration. In other words, triparty connectivity for IM serves as a stepping stone for other types of collateral management and securities financing activities. Local firms were eager from the outset to set up triparty for their initial margin requirements, seeing it as a bridge to financing structures such as repo. As new segments and regions integrate into triparty, increased mobility of collateral and offshore transactions across the globe will naturally follow.

Our focus remains on unlocking and mobilising unencumbered assets in Asia, while complying with local regulations and advocating for structural changes to improve accessibility.

**Ed Corral:** Simplified rehypothecation structures across legal entities or even within a single legal entity have made cross-border collateral movements more efficient. Meanwhile, technological solutions, like Pirum's CollateralConnect, continue to improve firms' profitability by enabling clients to utilise collateral more efficiently, enterprise-wide, and reduce liquidity capital requirements.

Looking ahead, tokenisation has demonstrated value in this regard with considerably more upside to be realised. First, the industry needs far more standardisation to enable the consistent, harmonised regulatory requirements for tokenisation.

**Marije Verhelst:** Triparty collateral management systems are delivering highly scalable and risk-controlled environments for market participants to collateralise their exposures. The multiple waves of regulatory requirements had far-reaching impacts on the operating models, supporting the collateralisation processes and increasing the demand for collateral and the purposes it was used for. As a matter of fact, before being used as collateral, assets are first held in multiple holding locations like custodians, central securities depositories (CSDs), etc, making accessing the collateral the first challenge in the process. Triparty agents, such as Euroclear, are constantly working to make additional asset classes

eligible in their triparty collateral management systems, with the aim of improving financing opportunities in hard-to-access assets as well as maximising collateral optimisation.

Euroclear is supporting an ecosystem of market participants around the world and, as an international CSD, is continuously linking with new asset holding locations, making them “Euroclearable” and facilitating cross-border collateral mobility. For example, following legislative changes in 2024, we were able to make South Korean government debt Euroclearable, facilitating the use of this high-quality asset class in our triparty collateral management system.

**Wassel Dammak:** Certain advancements are related to implementing standards like SWIFT’s ISO 20022 messages to streamline communication between cross-border entities. Others are related to harmonisation of collateral schedules and common eligibility criteria to reduce the impact of jurisdictional differences. Standardised and normalised collateral schedules eligibility formats like the Common Domain Model (CDM) are key for interoperability.

One of the main features to address these challenges is the ability to consolidate a real-time inventory with centralised views of global collateral pools across custodians and agents, and real-time collateral optimisation engines that prioritise cost-effective and

regulation-compliant assets. Such a feature allows for mobilising assets efficiently regardless of where they are held.

Market infrastructure modernisation, like the Eurosystem Collateral Management System (ECMS), and harmonisation, like the T+1 settlement, are key to improving the speed and reliability of collateral movement across jurisdictions.

### **What are the implications of the growing trend toward segregated collateral accounts in securities lending, and how is this impacting rehypothecation practices and market liquidity?**

**Verhelst:** In Euroclear, we are constantly enhancing our triparty systems to cope with the current and future requirements of our ecosystem of market participants, across all segments in the collateralised market. It is worth noting that our triparty collateral management system is, by design, segregating collateral by effectively settling collateral movements between two accounts in Euroclear — as opposed, for example, to so-called ‘earmarking’ techniques.

In the securities lending space specifically, we have been faced with a consistent demand to further segregate collateral from entities acting as intermediaries for the ultimate securities lenders. We have implemented solutions to meet such requirements — for



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example, a 'Third-Party Account Holder' model whereby the collateral received in triparty is held in an account of the custodian of the ultimate lender. This is a model open to any custodian. It is fair to say that any segregation requirement is, by definition, putting some constraint on collateral rehypothecation, but the securities lending business flowing in our triparty collateral management system is quasi-exclusively business-to-consumer, with ultimate lenders having fairly limited rehypothecation needs.

**Dammak:** The growing trend toward segregated collateral accounts in securities lending is driven by regulatory pressure and increased demand for transparency and counterparty risk mitigation. While it enhances transparency and control, it also reduces rehypothecation usage, particularly for high-quality collateral, such as government bonds. A decline in rehypothecation implies less collateral in circulation and might tighten liquidity, particularly in stressed markets or for high-grade assets.

**Tymkowska:** Segregated accounts ensure that collateral is kept distinct from other assets, thereby enhancing transparency and security. However, this segregation also limits the ability to rehypothecate collateral, increasing costs for collateral receivers as well as market liquidity. Market participants are adapting by exploring alternative methods, such as pre-trade analytics and trade execution optimisation, to reduce collateral usage without compromising regulatory compliance and risk management standards.

**Corral:** All forms of segregation limit the efficiency of one pool of fungible collateral. That said, constructs are in place to allocate collateral in line with how it has been segregated and/or, when permissible, commingle it with general collateral. This development does present limitations, but efficient collateral management systems can overcome such limitations. While setting up segregated accounts can be time-consuming, once they are ready, you need technology that can manage the required levels of automation. After that, it simply becomes business as usual.

### **In light of increasing regulatory focus on non-cash collateral, how are market participants revising their collateral optimisation strategies to balance risk management with capital efficiency?**

**Dammak:** With the regulatory focus shifting toward non-cash

collateral, market participants are optimising their collateral strategies by incorporating more diverse asset types and using advanced technologies. The regulatory push toward non-cash collateral is reshaping how firms consider collateral optimisation. Market participants are being challenged to maintain strong risk controls to comply with the regulations while still achieving capital and liquidity efficiency.

Expanding the collateral eligibility schedules could increase the flexibility and achieve a better use of dormant balance sheet assets. Advanced collateral optimisation engines rank eligible assets by opportunity cost and liquidity to apply the most optimal allocation logic — like the 'cheapest-to-deliver' — while meeting constraints such as eligibility, concentration limits, and correlation risk.

**Corral:** A sophisticated collateral optimisation engine, like Pirum's CollateralConnect, can and should manage the required outcomes and consider all regulatory requirements. True optimisation has moved beyond 'cheapest to deliver' to include liquidity coverage ratio (LCR), net stable funding ratio (NSFR), Comprehensive Capital Analysis and Review (CCAR), risk-weighted assets (RWAs), etc. To achieve the efficient optimisation frontier, firms need to be using a collateral optimisation solution that considers all these inputs. Industry participants need a flexible solution, like CollateralConnect, that allows for changing objectives day by day.

**Tymkowska:** We recognise increasing demand from our clients to meet various collateral optimisation goals and, as a triparty agent, State Street provides clients with optimisation tools to enable them to efficiently allocate collateral in line with their specific goals — whether minimising funding cost, maximising high-quality securities in inventory, or enhancing liquidity metrics. Our optimisation services will adapt to meet margin requirements based on our clients' preferences and, if accessed through State Street's triparty offering, assets can be automatically delivered to the appropriate segregated account.

We consider collateral optimisation to be a component of a broader optimisation solution, including margin optimisation, utilising pre-trade what-if analysis, as well as post-trade functionality, such as novation and compression to lower margin requirements. Integration of fee schedules attributes enables us to identify and solve the lowest transaction cost routes. All of the above can also be made available pre-trade, allowing the client to perform

a lifetime cost analysis across all possible trade routes prior to deciding where to place a trade.

**Verhelst:** Collateral optimisation is not new for a triparty agent like Euroclear. On top of delivering scalable and risk-controlled inventory and collateral management solutions to the worldwide collateral ecosystem, we have always put a strong focus on collateral optimisation to meet the growing needs of major dealers. However, the implementation of mandatory regulatory requirements like LCR, NSFR, RWA, etc, has introduced new needs for dealers to optimise the allocation of their collateral.

In essence, the keywords are 'data' and 'granularity'. Collateral optimisation is all about data, as collateral optimisation can only be as good as the quality of the underlying data decisions are based on. Granularity, because dealers are going as far as assessing an optimal allocation at the individual non-cash (ie security) level. Such assessment is not only based on some dealers' discretionary parameters — at trade and collateral level, tenor, etc — that are not known by their triparty agents, but also dealers' global holdings and activity across all triparty agents and including their bilateral, non-triparty collateral activity.

We are convinced that technology will be a key enabler for delivering the best collateral optimisation solution going forward.

Euroclear has recently partnered with Transcend, bringing to the market their combined expertise — Euroclear with decades of collateral management experience, data, and infrastructure, and Transcend with its technology and optimisation platform.

### **How has the persistent shortage of HQLA affected collateral transformation services, and what innovative solutions are emerging to address this scarcity?**

**Tymkowska:** The demand for high-quality liquid assets (HQLA) had initially coincided with an increase in availability. However, as market factors change, the need for increased access to repo facilities and transformation services is driving the uptake of enhanced inventory and collateral management solutions. At State Street, the release of our peer-to-peer (P2P) repo offering is an example of how we are adding to the suite of financing solutions we offer our clients. Enabling access to a variety of lending and repo solutions is core to our overall client service.

**Verhelst:** In the past, we have seen a shortage of HQLA heavily impacting market functioning. This trend strongly drove growth in securities lending activity and led to a particular focus from clients on ensuring maximum availability and usage of their assets, and the implementation of new inventory management and collateral



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optimisation solutions as a result. We now see this trend turning with collateral returning to the market as quantitative easing (QE) is progressively unwound. It will be interesting to see if a switch to a T+1 settlement in Europe reintroduces stresses on some high-quality collateral. We are working with our clients to explore these issues and ensure a smooth transition to a shorter settlement lifecycle.

**Corral:** In addition to the standard upgrade/downgrade trades, platforms have emerged to address this shortage both traditionally, as well as in the distributed ledger technology (DLT) space. Automated intraday solutions that assist firms in managing HQLA shortfalls during specific times are a more recent development. As the cost of these solutions is only incurred when the HQLA is actually needed, they help firms meet their objectives and save money in the process.

**Dammak:** The shortage of HQLA has led to increased demand for collateral transformation services, where lower-quality assets are converted into HQLA. This shortage — caused by post-crisis regulations like Basel III's LCR/NSFR, increased margining from UMR, and central clearing mandates — has significantly impacted collateral transformation services, while also giving rise to innovative solutions and market infrastructure changes.

The HQLA shortage is not just a supply issue — it is a structural shift in how collateral is sourced, moved, and priced. The response has been a multi-layered innovation effort across technology, with AI-driven and algorithmic optimisation systems; infrastructure, with tokenised collateral and DLT platforms; and business models, with P2P and sponsored clearing models. Reducing scarcity impact can be achieved through greater automation, digitisation, and decentralisation of collateral management.

### **What operational and technological challenges are securities finance firms facing when implementing real-time collateral management systems, and how are these being overcome?**

**Patel:** Generally, with real-time collateral management, it is essential to consider collateral optimisation, as both concepts are interconnected. To effectively address real-time collateral management and optimisation, the framework must incorporate sophisticated algorithms, advanced analytics, and a comprehensive understanding of the firm's inventory. This ensures optimal utilisation

and efficient mobilisation of assets while adhering to various standards. Real-time collateral management and optimisation require strong governance and continued transformation, rather than merely a strategy, process, or algorithm. The governance and transformation can be divided into three key focus areas: data strategy, analytics capabilities, and collateral mobility. The challenges fundamentally sit across these areas and functions.

Data strategy is the backbone of the collateral optimisation ecosystem. A clear and effective data strategy is controlled, robust, and end-to-end focused. In this context, data encompasses multiple dimensions: instrument and market data, agreement and collateral eligibility, positions and transactions, and trade/collateral obligations.

Additionally, analytics tools can be used to optimise not only how collateral is deployed, but also to assess inventory stability and identify liquidity substitution opportunities. Data and analytics tools are both a backbone to decision making and execution of those decisions.

While having the right data and analytics in place helps to identify optimisation opportunities, a collateral mobility strategy could ultimately determine whether these opportunities are realised in real time. Collateral mobility can be thought of as enabling frictionless execution and settlement of collateral across all obligations. The strategies' specifics will vary firm to firm, depending on different systems, trading desk organisational structures, local infrastructure, and more. The lack of a collateral mobility strategy could lead to situations where an optimal outcome is identified, but cannot be executed due to the cost or lack of capability to mobilise the collateral.

There are other considerations and components to consider for implementing real-time collateral management systems and operating flows, but the above are key for the fundamental framework.

**Tymkowska:** From a technological standpoint, integrating real-time data processing capabilities within a highly interconnected financial ecosystem can present challenges. Transitioning to real-time collateral management requires the adaptation of new technology and the seamless integration of these advancements with existing legacy infrastructure.

Maintaining data accuracy, security, and compliance across multiple platforms is critical for us to ensure we have operational efficiency



and regulatory adherence. We are increasing our footprint in offering digital solutions to clients that will bring significant efficiencies in collateral mobilisation. Additionally, fostering collaboration with industry participants, regulatory bodies, and technology providers enables us to stay at the forefront of the evolving securities landscape. This proactive approach allows State Street to deliver innovative, scalable, and resilient collateral management solutions.

**Dammak:** Implementing real-time collateral management systems in securities finance is a major operational and technological undertaking. These systems are essential for improving collateral optimisation, reducing counterparty risk, and meeting intraday liquidity demands. However, firms face several core challenges, like legacy infrastructure and system fragmentation:

- Real-time systems depend on clean, timely, and standardised data. Data must be pulled from multiple sources: trading systems, custodians, market data feeds, and counterparties. Firms struggle with inconsistent formats, latency, and manual reconciliation.
- Real-time collateral management requires low-latency messaging for margin calls, substitutions, and settlements. It also requires intraday updates to positions, eligibility criteria, market prices, and risk metrics.
- From a collateral eligibility and optimisation rules perspective,

real-time systems must factor in counterparty-specific eligibility schedules, dynamic haircuts and concentration limits, and market value fluctuations.

To overcome those challenges, firms are migrating to cloud platforms that allow scalability and modular integration and using APIs and microservices to connect legacy systems with real-time engines. Modern systems provide centralised inventory management across business lines and smart allocation engines for optimal collateral bookings and eligibility screening. Data across trading and margining is consolidated in a single environment with real-time dashboards for exposure, availability, and margin metrics.

Streaming data and adopting event-driven workflows to instantly react to collateral movements, pricing changes, or margin triggers is key to reducing latency and enables proactive collateral management. Integration with triparty and custodian platforms with real-time APIs and messaging — for example, via SWIFT ISO 20022 — and intraday collateral substitution and exposure tracking, reduces manual intervention and aligns real-time systems with external settlement and custody layers.

To implement real-time collateral management, securities finance firms are undergoing a tech-driven transformation, combining cloud, APIs, AI, and standardised messaging. The



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journey is gradual and complex, but firms that succeed are gaining a significant edge in liquidity efficiency, regulatory compliance, and counterparty risk mitigation.

**Corral:** In addition to the high cost in terms of budget, resources and time required to build a robust, real-time collateral management system, firms also need to connect such an in-house solution to their settlement system, and both need to be able to communicate activity in real time. Adding to the complexity and heavy lifting, often the output of a firm's settlement system is a batch file. For firms with large bilateral books, their counterparty's efficiency in executing recalls is an operational aspect that needs to be considered — and, if there are issues in terms of timeliness when returning pledged collateral, that needs to be rectified.

Vendor solutions, like CollateralConnect, solve these considerations out of the box, along with offering faster time to market. It is a journey, and industry participants need a modular solution. One that starts with getting all of their data in one place, then adds on the ability to confirm eligibility accurately and in a fully digitised format. At that point, clients are in a good place where they can truly achieve their optimisation objectives.

**Verhelst:** Old, rigid systems, siloed business lines and technological debt, are some factors preventing firms from achieving optimal, real-time collateral management. It is a significant issue for the industry.

There are clear benefits to improving the visibility of both collateral positions and collateral exposures, and most of our clients are engaged in some form of optimisation project, with the overarching theme being a search for greater efficiency in their collateral management.

Whether it is minimising the impact of key regulatory ratios or reducing cost, we see a strong focus on improving access to data: securities reference data, eligibility matrices, collateral allocations, and on a timely basis. This stems from a desire for more control over the collateral allocation performed by our collateral management system, with many collateral givers now taking a more active role in determining which asset is used to cover which exposure.

### **How are ESG considerations being integrated into collateral eligibility criteria and valuation methodologies, and what implications**

### **does this have for traditional collateral management frameworks?**

**Corral:** Environmental, social, and governance (ESG) considerations are another input that collateral processes need to consider — both from collateral eligibility and static data perspectives. The challenge to get this right is more on the static data providers than the collateral system. If the required data is available, CollateralConnect can design and execute against the appropriate collateral eligibility schedule.

**Verhelst:** We have seen increasing interest from some of our client base in using ESG criteria in setting their collateral profiles. This is mainly coming from asset managers or buy side clients who are seeking to implement changes in their investment policy into their collateral management activity as well. We have yet to see consistent market standards emerge in terms of what constitutes an ESG basket, making support very bespoke for every client.

There appears to be more interest in green repo. We have worked with LCH to launch a green basket on their €GCPlus GC repo service, which won the ESG Initiative of the Year at the Securities Finance Times Industry Excellence Awards in 2024. We expect interest in sustainable finance solutions to keep growing, in line with overall market trends.

**Tymkowska:** ESG considerations are increasingly being integrated into collateral eligibility criteria and valuation methodologies. This integration enables clients to meet sustainability standards, as well as the reporting transparency that comes with it. Traditional collateral management frameworks must adapt to incorporate ESG metrics to enhance the quality and reputation of asset holdings, aligning them with broader market sustainability goals.

**Dammak:** Integrating ESG considerations into collateral management is an emerging but increasingly important trend. As sustainable finance gains momentum, ESG is reshaping traditional collateral eligibility and valuation practices, with implications for how firms source, monitor, and manage collateral across trading, lending, and margining activities.

ESG integration into collateral eligibility criteria is being pushed by some buy side firms, and central banks — including the European Central Bank (ECB) and Banque de France — now restrict collateral



eligibility to assets that meet minimum ESG standards, excluding issuers with poor environmental scores or exposure to controversial industries. Central counterparties (CCPs) and triparty agents are also starting to support ESG-aligned collateral schedules, including green government or corporate bonds.

Collateral schedules are being adjusted to exclude or penalise assets with low ESG ratings or exposure to fossil fuels, weapons, or human rights violations, but also to include green, social, and sustainability-linked bonds (SLBs), ESG-screened equity indices or ETFs, and issuers with high ESG scores from providers like MSCI, Sustainalytics, or S&P.

### **What role is DLT playing in enhancing collateral mobility and reducing settlement risk in securities finance transactions, and what are the key implementation barriers?**

**Dammak:** DLT — including blockchain — has emerged as a powerful enabler for enhancing collateral mobility and reducing settlement risk in securities finance. By offering real-time, immutable, and transparent records of ownership and transactions, DLT helps address some of the most persistent inefficiencies in collateral management.

DLT allows firms to digitally tokenise securities and cash collateral,

instantly transfer ownership without physically moving assets across custodians or jurisdictions, and enable intraday collateral substitution, recall, or reallocation via smart contracts.

Despite the potential, DLT adoption in securities finance faces several hurdles, like the interoperability with legacy systems — custodians, CCPs, trading platforms — that are not natively DLT-compatible, and the lack of common standards for token formats, messaging, and APIs.

**Tymkowska:** As a global custodian operating across multiple jurisdictions, State Street sees strong potential for DLT to enhance collateral mobility and reduce settlement risk. DLT can help streamline cross-border collateral movements by reducing settlement frictions, aligning market practices, and enabling more efficient collateral reuse across transactions and markets. DLT provides near real-time tracking of asset availability, which for State Street, as both a global custodian and triparty agent, improves transparency and accelerates collateral substitution and reallocation with reduced operational risk.

However, there are still meaningful implementation barriers. A key challenge is integrating DLT with existing legacy infrastructure, particularly in areas like trade capture, reporting, and settlement, without undermining the efficiencies DLT offers. DLT should



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interoperate with these systems without duplicating reconciliations or creating latency, and that remains a complex task. For us, a phased approach to implementation is essential. This ensures that innovation progresses in step with operational resilience, allowing the firm and its clients to scale securely and unlock the full value of DLT.

**Verhelst:** The market is still very much exploring the potential for DLT in collateral management. So far, no initiatives have managed to scale successfully, though there are some very innovative solutions out there.

While the technology has promise, the need for concurrent adoption by a network of parties, the competition for budget and resources with mandatory regulatory initiatives and market changes and the critical mass of liquidity in legacy platforms mean adoption remains challenging.

We remain optimistic about the potential for collateral tokenisation, as markets move more and more to 24/7 trading, the need for collateral management during expanded hours is likely to grow. Ledgers, and the smart contracts which can be run on them, could also deliver operational efficiencies in orchestrating complex collateral flows, such as multiple back-to-back collateral exchanges. We are currently conducting a study with the Boston Consulting Group (BCG) and Digital

Assets Holding on how to best bring efficiency to global markets by combining tokenised collateral mobility and our experience in collateral management.

**Patel:** Tokenisation of assets can enhance collateral mobility across a number of real-world use cases and problem statements. Tokenisation of assets has been a way to introduce DLT into institutional financial services by representing ownership or control rights in a traditional asset on a blockchain, enabling transfer of those rights via smart contracts, which are self-executing contracts with the terms of the agreement directly written into code.

These contracts automatically enforce and execute the terms when predefined conditions are met, all while relying on the established legal and regulatory framework governing the underlying traditional asset. There are various platforms available today that support tokenisation use cases, though widespread adoption will take time. Nonetheless, there is meaningful value to unlock if there is enough buy-in from the community, and if key operational problem statements can be addressed.

Tokenisation can help with the mobility of traditional assets as collateral, operational efficiency more generally, and unlocking the value of trapped assets. Tokenisation of



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traditional assets can be valuable in the sense that there is the ability to mobilise assets as collateral, without transferring them via standard settlement.

Tokenisation can remove settlement risk by leaving assets with the firm's custodian or transfer agent, and tokenising the asset in location, to be ultimately mobilised as collateral on the DLT platform. Eliminating market settlement at the custodian or transfer agent can reduce fails and cumbersome operational oversight of the settlements. Moreover, assets are being left in the same location, meaning that challenges with settlement cutoffs in many cases are eliminated. Utilising tokenised assets without the constraint of settlement cutoffs can lead to trading and settlement outside local market operating hours, allowing for ease of cross-currency trades.

Another example is unlocking the value of trapped assets or assets that are not being funded or optimally used as collateral. An example is high-quality liquid assets, such as money market funds (MMF), which are held with transfer agents and are not easily mobilised as collateral. Tokenisation and smart contracts enable parties to transfer MMF units as collateral via tokenisation without requiring the units to be redeemed for cash or otherwise transferred outside the transfer agent.

Implementing these new models into your existing operating model requires technological integration, especially for scalability, but first, it is important to gain comfort in DLT itself. As with any new technology, firms will need to conduct the appropriate due diligence on the technology and the specific platforms where assets will be represented. Needless to say, there will be a healthy amount of legal and compliance work to confirm these models and platforms work with existing legal frameworks. All of this requires an appropriate allocation of resources, which makes it a decision of priority against other initiatives firms may have. This is why having a tangible and valuable use case becomes one of the key factors in the decision to move forward and invest the time and resources.

**Corral:** As mentioned above, DLT is already playing a role. We see efforts to standardise every aspect of the securities finance and collateral management trade lifecycle as positive steps for the industry.

## How are changing central bank policies and QT measures impacting the availability of sovereign debt as collateral, and what strategies are market participants employing to adapt?

**Verhelst:** There has been a marked improvement in the availability of sovereign collateral over the past two years. On one hand, large amounts of collateral previously at central banks to collateralise loans have been released, while the progressive reduction in asset purchase programs means that central banks are no longer hoovering up large portions of available supply. This has translated into a reduction in some securities lending activities, as tightness on some securities has faded.

In turn, increasing interest rates have revived the cash-driven repo market, driving higher financing of government securities through that product. Issuance of new government debt is expected to remain high, while there are doubts over the implementation of the next round of Basel reforms in both the US and EU. This will be key in determining dealer balance sheet capacity to keep intermediating financing markets, and correspondingly a determining factor in the evolution of collateral markets.

**Tymkowska:** Quantitative tightening (QT) has reduced the availability of sovereign debt in the secondary market, increasing pressure on the supply of high-quality collateral. In response, market participants are broadening their eligible collateral pools to include high-quality corporate bonds and covered bonds, while also turning to optimisation platforms to enhance allocation efficiency. Many are unlocking new sources of liquidity by mobilising fragmented inventory positions through pooled asset structures — particularly in jurisdictions with more flexible regulatory frameworks.

State Street's P2P repo solution offers direct access to alternative liquidity channels by enabling buy side firms to transact directly with each other, without relying on traditional dealer intermediation. We also offer pre-trade optimisation tools that play a key role in helping our clients identify the most efficient configuration of assets to pledge across their trade commitments, as well as strengthening asset mobilisation through our Collateral+ Triparty programme. Together, these solutions give market participants the infrastructure they need to stay agile and optimise collateral in constrained and fast-moving environments. ■