

## **“The only constant in life is change” – Heraclitus.**

2022 has been (again) a year of unforeseen events. After a traumatic pandemic episode, a war broke out in Europe causing destabilization to the supply and prices of goods and energies, resulting in an inflationary pressure that stressed the financial markets. The increased volatility proved once again that in times of stress, Collateral departments in Financial Institutions (FIs) tend to allocate what is available and not what is optimal. The recent problem with LDI funds in the UK is one amongst many examples.

Last year has also been the one of the sixth and last wave of the Uncleared Margin Rules (UMR) multi-years regulatory journey. Many FIs are still implementing the new market practices like ‘Greater Of’ or ‘Allocated’ margin approaches, IM thresholds currency choice and usage of the triparty / third party models to settle the regulatory IM. Other firms put in place a framework to monitor the thresholds to avoid exchanging the IM. The usage of securities assets to meet the ever-increasing collateral obligations complicates more the regulatory compliance with complex collateral eligibility rules.

All the above poses real operational challenges to the FIs Collateral Departments and requires a continuous transformation in the management of the processes, the teams, the data and the technology while meeting the needed efficiency to secure the margins and minimize the costs.



At [VERMEG](#), we think that technology is the main enabler to accelerate the transformation and achieve a sustainable efficiency while adapting to unpredictable future events. [COLLINE](#), our collateral management solution, was designed to accompany FIs in such transformation. It helped many firms comply with the UMR regulations compliance in the last years and was leveraged by many firms to adapt their operating model towards a consolidated collateral management across Cleared & Non-Cleared Derivatives, Exchange Traded Derivatives (ETDs) and Securities Finance Trades (SFTs).

## Collateral Management: leverage technology to comply with new market infrastructure

“Native connectivity between ECMS, [EASY Collateral](#) and [COLLINE](#) positions VERMEG’s global collateral platform as a comprehensive ecosystem that efficiently manages credit risk and ensures sufficient liquidity is available to financial markets.”

VERMEG’s director of Collateral Management Product [Wassel Dammak](#) analyses how the ECB’s Eurosystem Collateral Management System will impact the collateral space upon its arrival rescheduled to April 2024.

Central banks play an important role in ensuring sufficient liquidity is available to financial markets. One typical example of how technology can support innovation in collateral management is the [Eurosystem Collateral Management System \(ECMS\) initiative](#) led by the European Central Bank (ECB). The Eurosystem’s 19 individual National Central Bank (NCB) collateral systems will be replaced by a single harmonized system, the ECMS, in April 2024 and an orderly transition is vital to maintaining access to central bank liquidity facilities thereafter.



Read more in the ECMS article published at the [Collateral Annual 2022](#) by Securities Finance Times (page 38) and learn more about:

- / Why is collateral important in the process?
- / Infrastructures play a significant role
- / Multi-pooling collateral
- / Challenges for banks to comply with ECMS
- / Digital to support market readiness

[Read the article](#)

## Automating Collateral Management - The Role of Market Data Standards

VERMEG was delighted to be part of **ISDA’s** [Automating Collateral Management Conference](#).

The virtual conference took place on November 10, and presented mainly the following topics:

- / Digitization and Automation;
- / Improving Margin Call and Settlement;
- / How to Optimize Collateral Management;
- / The Role of Market Data Standards.

VERMEG's Head of collateral solutions product strategy, [Wassel Dammak](#), was a panel speaker discussing **The Role of Market Data Standards**.



Moving to a holistic collateral management and optimization structure requires interoperability and data standards. This session was focusing on how the Common Domain Model can reduce mapping exercises between vendors and in-house systems, as well as operationalize and automate collateral management workflows. Firms that are currently implementing the CDM for collateral will

share their use-case stories and provide project status updates.

## VERMEG was Exhibiting at the Securities Finance Times Technology Symposium Winter 2022

It was a great pleasure for VERMEG team to sponsor and exhibit at the [Securities Finance Times Technology Symposium Winter 2022](#). The industry-leading securities finance technology event was back in-person and took place on the 22<sup>nd</sup> of November, at the Leonardo Royal Hotel in London's business district.

The main topics of the [Conference Agenda](#) were:

- / Regulation
- / Initial Margin
- / Collateral Management
- / Repo
- / Securities Finance: The Future
- / Digital Assets in Securities Finance



[Wassel Dammak](#), VERMEG's Head of Collateral Management Solutions Product Strategy, was among the Speakers on the **Initial Margin Panel**.



Margin requirements are larger, more complex and cover more institutions than ever before. Access to liquidity and collateral transformation are vital, expanding trading opportunities for nimble and responsive organizations is key. This panel was discussing Initial Margin optimization, lessons from the UMR Phase 5, and first impressions since September's UMR Phase 6 was introduced.

## COLLINE Services Suite

As one of the leading solutions dedicated to collateral management, [COLLINE](#) Product investments focused mainly on standardization of the data (like Common Domain Model adoption), end to end automation of the margin workflows **and** connectivity to the global collateral ecosystem. Additional investments covered the new collateral eligibility rules and the optimization of the pledged collateral assets.



Typically, FIs 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 IM threshold monitoring.
- / STP – SWIFT connectivity to **Triparty agents** (Bony, JPM, Clearstream, Euroclear, BNP Paribas, State Street) and Long-box inventory mirroring.
- / 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).
- / **Asset and Inventory Optimization** to automate delivery and return allocations. The source of rules can be any combination of client-sourced rankings or COLLINE sourced algorithmic with a native and real time integration with agreements' collateral eligibility schedules, concentration limits and haircuts rules.
- / **Email processing automation** – Automation of margin workflow for inbound emails through an 'intelligent' digital app that parses emails, understands the ask behind and triggers automatically the processes in COLLINE or any third-party collateral solution.