



Unlocking the next frontier of collateral optimisation

Wassel Dammak, head of collateral solutions strategy at VERMEG, looks at collateral optimisation and offers a strategic view for securities finance leaders

As the securities finance industry converges, a common theme resonates across discussions — the increasing strategic importance of collateral in shaping both operational resilience and

competitive positioning. Collateral is no longer just a post-trade afterthought, it is central to liquidity, capital, and risk decisions across financial institutions.

The last decade of regulatory reform — from the introduction of Uncleared Margin Rules (UMR) to Basel III liquidity metrics — has transformed how firms engage with collateral. In parallel, the expansion of eligible collateral types, including equities, money market funds (MMFs), and potentially digital assets, has introduced complexity alongside opportunity. In this environment, optimisation is not just about reducing cost — it is about navigating the new realities of global funding, inventory, and market stress.

Collateral optimisation: Beyond the buzzword

Collateral optimisation became a familiar concept, but what has shifted is its role — from an operational afterthought to a strategic necessity. Today, optimisation spans the full trade lifecycle. At the front end, trading and treasury desks are increasingly relying on real-time tools to estimate margin impact before a trade is executed. With fragmented collateral rules across venues and counterparties, these insights inform better decisions about where and how to trade.

Once trades are in motion, firms turn to netting and compression techniques to reduce exposure. These measures have become vital in managing the scale of bilateral and triparty activity across securities lending and financing operations.

But the most transformative gains lie post-trade — where daily margin calls, substitutions, and rebalancing happen. This is where optimisation becomes truly dynamic, shifting pledged assets to minimise cost, preserve high-quality liquidity, and align with counterparty-specific rules. In this environment, collateral decisions are no longer just operational — they are strategic levers that impact funding, capital, and even profitability.

Optimisation in this sense is not just about algorithms. It is about alignment — across functions like treasury, trading, risk, and operations. It is about governance — creating the right structure to scale efforts across the firm. And it is about data — ensuring eligibility, inventory, and pricing information is clean, current, and integrated.

Four pillars are making optimisation real

Cross-function alignment

Securities finance teams often operate in siloed frameworks — treasury might guard liquid assets, trading prioritises revenue, and

operations focus on efficient delivery. Optimisation requires breaking down these silos, establishing a shared inventory, and coordinating on how assets are valued, ranked, and deployed.

Governance with momentum

Some firms spend years debating ownership of the optimisation function without taking meaningful steps forward. Success often begins with a single business unit demonstrating value — creating a ripple effect that other teams buy into. Governance should evolve with usage, not be a barrier to starting.

Data centralisation

Eligibility rules, concentration limits, haircut models, and internal cost metrics typically reside in disconnected systems. A modern optimisation function requires integrated, near-real-time data pipelines. This is a prime opportunity to align on standards, formats, and interoperability initiatives across the ecosystem.

Quantifying return on investment and risk reduction

While the most visible benefit is cost savings through better collateral selection, optimisation also reduces operational workload, improves liquidity management, and supports scenario testing under stress. Simulation capabilities and historical comparisons between actual and optimal allocations provide senior management with the transparency they increasingly expect.

A case study from a leading global bank

One innovative bank — facing regulatory-driven margin call increases and fragmented collateral management — implemented an enterprise-level optimisation platform. Their goals were to:

- Centralise inventory and eligibility data across business lines
- Minimise funding costs while preserving liquidity
- Enable front office access to traditionally back office processes

The outcome was a standalone collateral optimisation system that:

- Integrated seamlessly with internal systems
- Supported flexible prioritisation (cost, liquidity, regulatory compliance)

- Automated call responses and rebalancing workflows

Key benefits reported:

- FTE reduction in operations
- Enhanced front office decision-making
- Quantified cost savings that aligned with strategic treasury objectives

This reflects a growing shift across the community: optimisation is no longer a niche exercise — it is foundational infrastructure.

Looking ahead: AI, DLT, and real-time collateral

The future of securities finance will be shaped by emerging technologies that bring real-time intelligence and automation to collateral workflows:

- AI-Powered agents will soon detect anomalies, trigger workflows, and even perform decision-making around allocation and substitution. These systems will reduce manual intervention while increasing agility.
- Distributed ledger technology (DLT) will enable 24/7 settlement

and real-time collateral exchange across networks. Combined with tokenised collateral assets, this points toward a future of continuous collateral optimisation.

- Optimisation-as-a-Service models are gaining traction. Some firms prefer to integrate optimisation capabilities via APIs from trusted providers rather than build in-house platforms. The emphasis on interoperability and ecosystem collaboration aligns well with this trend.

Final thoughts: Turning operational necessity into strategic advantage

Collateral optimisation is evolving from a compliance-driven activity into a competitive advantage. It enables firms to respond to regulation with agility, to meet rising funding demands without sacrificing flexibility, and to build more resilient collateral ecosystems.

But optimisation is not a single tool or process — it is a mindset. One that values transparency over silos, automation over manual work, and real-time insight over reactive response.

The next chapter of securities finance belongs to those who treat collateral as a strategic asset, not just a regulatory obligation. ■



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Wassel Dammak
Head of collateral solutions strategy
VERMEG

Unlock Efficiency, Optimize Costs, and Mitigate Risk



Colline is a state-of-the-art web-based platform designed for banks, asset servicers and buy side firms. It streamlines collateral workflows across asset classes, automates margin calls, and enhances liquidity management while reducing IT costs with scalable SaaS technology.

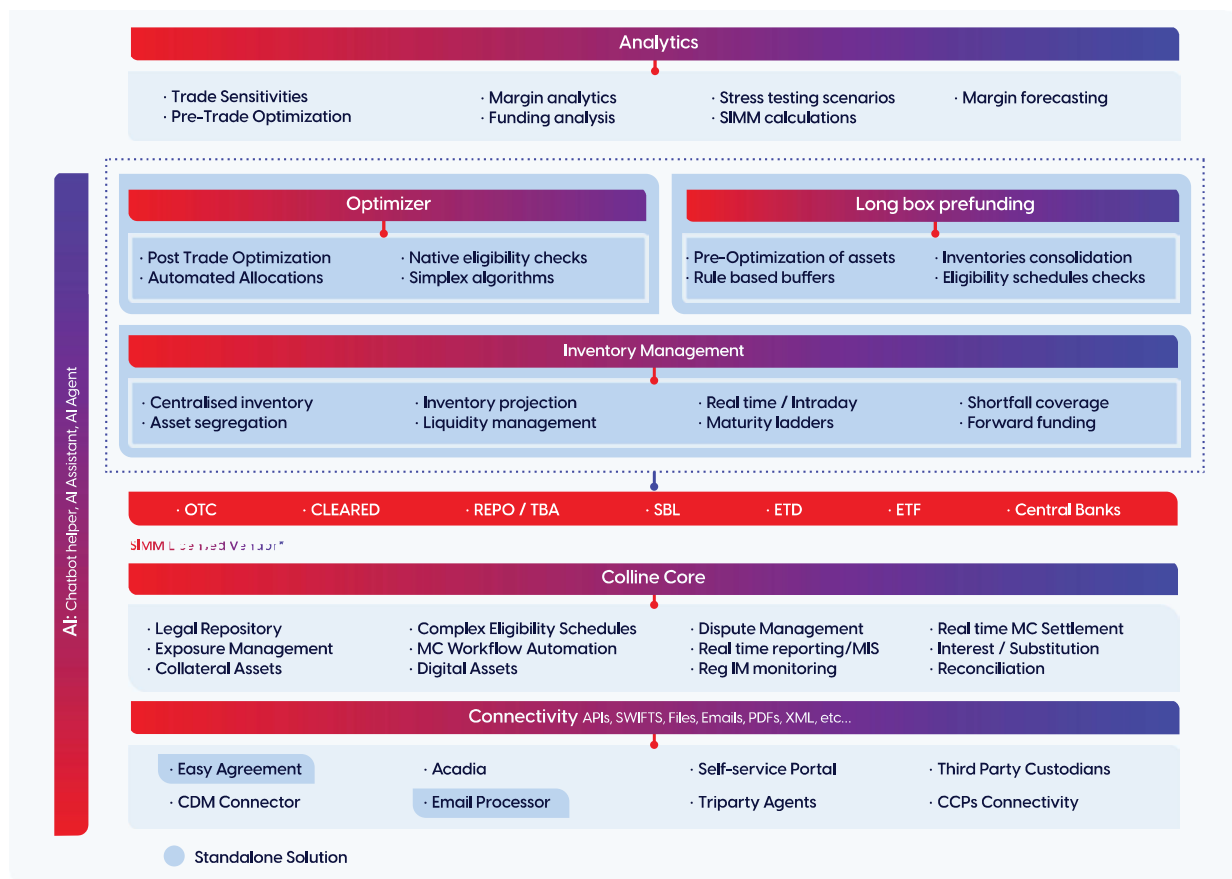
/ Key Benefits

- / Consolidate collateral management in a single layer across all traded asset classes: OTC derivatives, cleared OTCs, Repo, SBL, TBA, ETF and ETDs.
- / Optimize collateral inventories and pledges to reduce funding cost, automate margin call deliveries and enhance long boxes prefunding.
- / Centralize Inventory across clients, locations and trading desks to maximize inventories utilization with "What if" scenarios for liquidity risks management.

- / Streamline connectivity to utilities, traditional and DLT settlement venues by adopting market standards like Common Domain Model (CDM) and providing digitization services for CSAs, GMRAs, GMSLAs and complex Collateral Eligibility schedules.
- / Reduce IT costs through efficient SaaS services leveraging new technologies such as PostgreSQL and artificial intelligence assistants and agents.
- / Leverage vertical AI models as chatbot helpers, data insight assistants and decision maker agents.

/ Colline at a glance:

Centralized risk management, margin automation and collateral services across asset classes



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