



## Repo clearing is here. Is your collateral framework ready?

The SEC mandate for central clearing of US Treasury repo is no longer a future problem. FICC is the venue, the timeline is set, and the firms still in ‘wait and see’ mode are running out of time. Wassel Dammak, strategic account director for Europe & UK Capital Markets at Vermeg, looks at what this shift means operationally, and why the firms that get it right will have a structural advantage

### The margin reality

Bilateral repo is largely an initial-margin-free world. Central clearing is not. The central counterparty (CCP) calculates initial margin using its own value at risk (VaR) model,

and the numbers move, sharply, when markets do. For firms used to bilateral, this is a new and significant cost, and it arrives with a new operational burden: identify the collateral, allocate it, mobilise it to the CCP, and monitor it until the trade closes.

The scale of that burden should not be underestimated. In a bilateral world, a firm’s collateral team works to a relatively predictable rhythm, end-of-day calls, known counterparties, established workflows. Under central clearing, that rhythm breaks. Initial margin requirements can shift intraday as markets move, and the CCP’s model does not wait for business hours. A firm that does not have its inventory picture updated in real time will either over-collateralise, tying up assets unnecessarily, or miss a call and face penalties. Neither outcome is acceptable at scale.

The deeper change is that collateral can no longer be managed after the fact. Eligibility schedules are rigid, margin calls are intraday, and collateral pools fragment across CCPs. Before a desk prices a repo, it needs to know what is available, what is cheapest to deliver, and what the CCP will accept. That is a front office constraint with a direct impact on pricing and, ultimately, on whether a trade is worth doing at all.

### The sponsored model: Straightforward in theory, complex in practice

Most buy side firms will access clearing through a sponsoring member rather than as direct participants. The economics of the sponsored model are well understood. The operational mechanics are less so, and that gap is where problems tend to appear.

The sponsor faces both its client and the CCP simultaneously. Collateral pledged by the client typically needs to flow through to the CCP in real time. Any change on one side, a substitution, a haircut adjustment, a new trade, must instantly reflect on the other. Done manually, that is unacceptably slow and, on a volatile day, a genuine operational risk. A firm running 50 sponsored clients at moderate volume can manage this with care. A firm running several hundred, across multiple asset types and CCP relationships, cannot. Scale requires a platform that treats

client and house activity as a single operational view, not two reconciliation runs stitched together at end of day.

This is one area where the gap between firms that invested early and those that did not will show up very clearly. The sponsored model is the primary access route for the buy side. Getting it right is not optional.

### Cross-margining: Where the economics get interesting

Clearing creates initial margin costs that did not exist before. Cross-margining is what makes those costs bearable, and in some cases, it can tip the economics decisively in favour of clearing over bilateral.

In April 2026, the US Securities and Exchange Commission (SEC) expanded the Fixed Income Clearing Corporation (FICC)-Chicago Mercantile Exchange (CME) cross-margining arrangement to cover customer positions, not just the proprietary positions of clearing members. Firms that are dually registered and members of both can now offer clients offsets between cleared Treasury repo and correlated interest rate futures. For a large Treasury book running alongside a rates derivatives portfolio, the margin savings are material. The two positions carry correlated risk; the CCP recognises that correlation and reduces the combined margin requirement accordingly. In a high-rate environment, where funding costs are already elevated, every basis point of margin efficiency translates directly into competitive capacity.

The benefit is not automatic, though. Offsets only work if both sides of the book, cleared repo and listed derivatives, are visible in one place, valued consistently, with collateral posted against the net number. If those two businesses run in separate systems, the offset stays on paper. Reconciliation teams spend their day chasing breaks between systems rather than capturing the efficiency the

regulation was designed to deliver. This is not a minor operational inconvenience. It is the difference between accessing a strategic benefit and watching it pass by.

The same logic extends beyond initial margin. Variation margin, clearing fees, and funding costs all respond to the same underlying principle: a firm that can see its full exposure across asset classes in one place will always find a cheaper path than one that manages each book in isolation. Cross-margining is the most visible example, but the optimisation opportunity runs much deeper.

### **The operational bar is higher than most firms expect**

A cleared repo flow touches more systems simultaneously than most firms appreciate until they map it out. The executing venue, the CCP, the sponsoring member, the triparty agent, the custodian, internal risk systems, treasury systems — all must exchange messages in the right format, at the right time, without breaks. A failure anywhere in that chain creates a cascade: margin calls arrive late, positions fail to reconcile, collateral sits in the wrong account while the clock runs.

With US markets already on T+1 settlement, and the UK and EU set to follow in October 2027, the tolerance for manual repair in post-trade workflows is essentially zero. Firms that relied on overnight processing to catch and fix errors no longer have that buffer. The errors have to not happen in the first place, which means connectivity, message standards and exception management all need to be right before the mandate hits full volume.

Intraday margining raises the bar further. CCPs issue multiple margin calls per day — more on volatile days, which are precisely the days when operational capacity is already under pressure. Firms still running end-of-day cycles will always be behind. The firms that cope well are those with

systems that can handle multiple call cycles per agreement, recalculate exposures as new trades and marks arrive throughout the day, and process routine events straight through without manual approval. That is not a luxury for large firms — it is the baseline operational requirement for anyone running cleared repo at meaningful scale.

### **The buy side has the steepest climb**

Asset managers, pension funds, and hedge funds that have operated in this market through bilateral dealer relationships are about to discover how much of the heavy lifting was being done for them. The dealer managed the clearing infrastructure, absorbed the operational complexity, and presented the client with a net result. Under the new rules, a large portion of that activity needs to be cleared, and the buy side firm is no longer insulated from the mechanics.

Margining multiple times a day, understanding CCP eligibility schedules, monitoring intraday exposure, none of that was the buy side's problem before. Most firms will continue to rely on their service providers for the heaviest lifting, and that is a reasonable approach. But relying entirely on a service provider without any internal visibility is a different matter. A firm that cannot independently validate a margin call, or see where its collateral is sitting at any given moment, is flying blind. In a stress scenario, that is when the gaps become dangerous.

The buy side firms that invest early in their own collateral infrastructure, even at a relatively modest level, will be better positioned as the market evolves. Clearing volumes will grow. Cross-margining arrangements will expand. The operational advantage of having built the capability compounds over time.

### **What the right platform looks like**

The firms that handle this transition well will not be those

who bolt cleared repo onto an existing stack and hope the interfaces hold. They will be those with a single, cross-asset collateral engine, one that covers OTC derivatives, cleared derivatives, securities lending, and repo within the same system, with a margin engine that handles both initial and variation margin, real-time connectivity to CCPs and triparty agents, and an optimiser that works across all business lines simultaneously rather than sequentially.

The practical payoff of that architecture is significant and shows up in ways that go beyond compliance. When repo, securities lending and derivatives share one system, a desk can use excess cash from one book to cover a margin call on another instead of borrowing short at whatever the market is offering. It can see when the same security delivers a better haircut in one channel versus another and move it accordingly. It can price the true funding cost of a trade before execution rather than discovering it in the next morning's report. These are not theoretical benefits, they are the operational expression of a properly constructed collateral framework.

AI-driven optimisation adds another dimension. A multi-objective optimiser does not simply find the cheapest asset to deliver. It simultaneously minimises cost, maximises liquidity buffers, enforces liquidity coverage ratio (LCR) and other regulatory ratios, respects eligibility constraints across multiple CCPs, and surfaces substitution opportunities as conditions change throughout the day. No human team can run that calculation across thousands of positions in real time. The firms that use it well will consistently find paths that their competitors miss.

Vermeg's Colline was built on exactly this multi-asset foundation. Extending it to cleared repo, including FICC integration and full support for the sponsored access model, was a natural step not a redesign. That matters for clients: they get cleared repo coverage within the platform they already use, without rebuilding their existing landscape or managing a new set of integrations from scratch.

### **This is the first wave, not the last**

US Treasury clearing will not be the end of the story. Europe and Asia are having the same conversations, and similar mandates are a matter of when, not whether. Intraday repo is moving from pilot to production in several markets. Tokenised collateral settling on distributed ledgers will eventually allow assets to move between parties at any hour, without traditional settlement windows or the friction of conventional custodian chains. Each of these developments raises the bar on speed, precision, and connectivity.

Firms that build the right foundation now will absorb the next wave far more easily than those treating this as a standalone compliance project. The architecture that handles US Treasury clearing well is the same architecture that will handle European clearing, intraday repo and tokenised collateral as those markets mature. The investment is not in solving one problem, it is in building the operational capability to handle a market that will keep moving.

The April 2026 SEC approval on cross-margining is a clear signal that regulators see this as structural reform, not a transitional measure. The direction of travel is toward more clearing, more netting, and more cross-asset efficiency for firms that can operate at that level. The question is not whether to build for that world. It is whether to build now, while there is still time to do it properly, or later, under pressure, when the cost of getting it wrong is much higher.

Clearing creates the cost. Cross-margining makes it rational. The firms that come out ahead will be those that treated both as a single workstream, and built the operational capability to use the framework as designed. In a market where every basis point matters, that will show up in the numbers. ■



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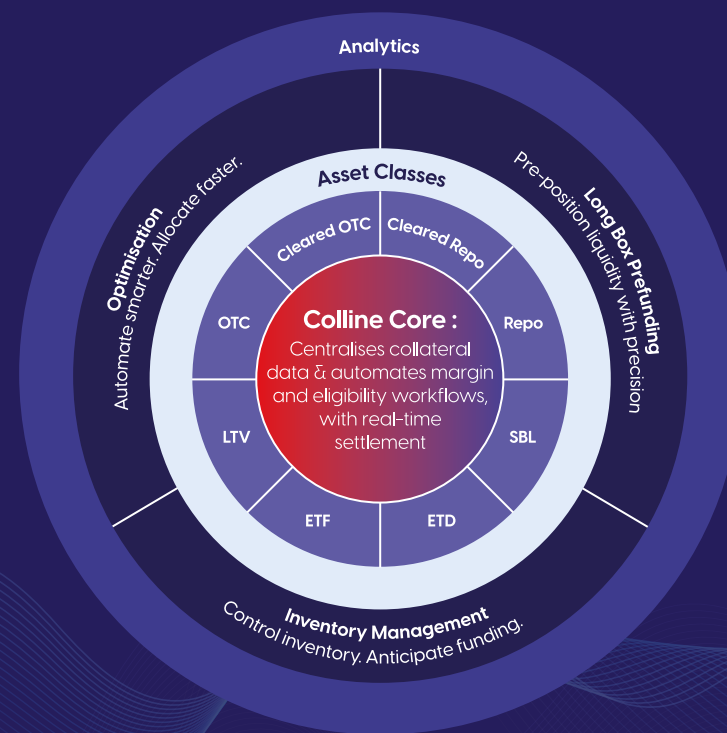
Cleared Repo . Cross-Margining . AI-Driven Optimisation

Clearing creates the cost.  
**Colline makes it rational.**

FICC mandatory clearing is live. Initial margin is now real, intraday calls are multiplying, and collateral fragmented across CCPs won't optimise itself. The firms that come out ahead are those that can see cleared repo, OTC derivatives and listed futures in one place and act on the net exposure, not the gross.



**A single platform managing collateral**  
 across all asset classes and workflows in one integrated system



**Named Best Collateral Management Solution**  
 for both Sell-Side & Buy-Side Institutions

