

GlobalCollateral: Margin Transit Utility

Margin call volumes are rising as regulatory changes take effect in the derivatives markets—driving a need for a comprehensive collateral management solution to process and confirm collateral settlements quickly and securely.

The **Margin Transit Utility (MTU)** addresses this challenge, by providing straight-through margin and collateral processing and settlement for dealers, buy-side firms, administrators and custodians. MTU, offered by DTCC-Euroclear GlobalCollateral Ltd. (GlobalCollateral), streamlines and standardizes collateral management for OTC derivatives transactions and other marginable products. MTU maximizes flexibility for counterparties by accommodating bilateral and triparty workflows.

MTU Responds to Market Changes

Requirements to post and calculate variation margin on a daily basis for uncleared derivatives along with mandatory central clearing for OTC derivatives, pending TBA margin rules, and initial margin requirements that will impact the growing list of covered swap entities through 2020 are creating competing demands for collateral. The resulting surge in margin calls across the industry is straining firms' capacity to process and settle margin and collateral, making settlement fails and bottlenecks more likely.

MTU acts as a conduit from the point of agreement of a margin call through settlement and standardizes most inputs and outputs to the middle office. By eliminating many manual touch points, MTU lessens the operational complexity and hence the operational risk of margin-call processing.

MTU also reduces costs—and fail incidents—for market participants by securely capturing settlement instructions, accelerating processing velocity, improving visibility and consolidating status updates.

MTU delivers these additional features and benefits

- Common infrastructure that eliminates the need for direct, multiple builds to individual counterparties and custodians.
- Integration with ALERT® allows the creation and maintenance of collateral standing settlement instructions (SSI) and enables real-time enrichment of collateral SSIs for margin calls in MTU.
- Consolidated end-of-day-reporting.
- Scalability and capacity to handle volatility of funding requirements and rising collateral demands caused by market and regulatory changes.
- Automated and reliable straight-through processes and streamlined messaging.

Industry Collaboration, Trusted Providers

- Continuously updated settlement statuses on all margin calls and the related collateral movements.
- Real-time centralized reporting.
- Transparency on settlement finality.
- Reduce operational risk through automation replacing manual processes such as faxes and emails.

MTU is delivered through GlobalCollateral's multi-service platform, built in collaboration with the company's stakeholders across the dealer, buy-side, custodian and clearinghouse communities.

GlobalCollateral is a joint venture between two of the world's largest post-trade infrastructures. Industry-owned and governed, DTCC and Euroclear put clients' interests first in developing the technology and services firms need to manage their collateral processes efficiently and effectively.

To learn more about MTU, please contact us [here](#), or email us at globalcollateral@dtcc.com or visit GlobalCollateral.net.

How It Works

The collateral settlement process begins when both counterparties agree on the margin call amount and either the counterparties or the triparty provider allocate the collateral.

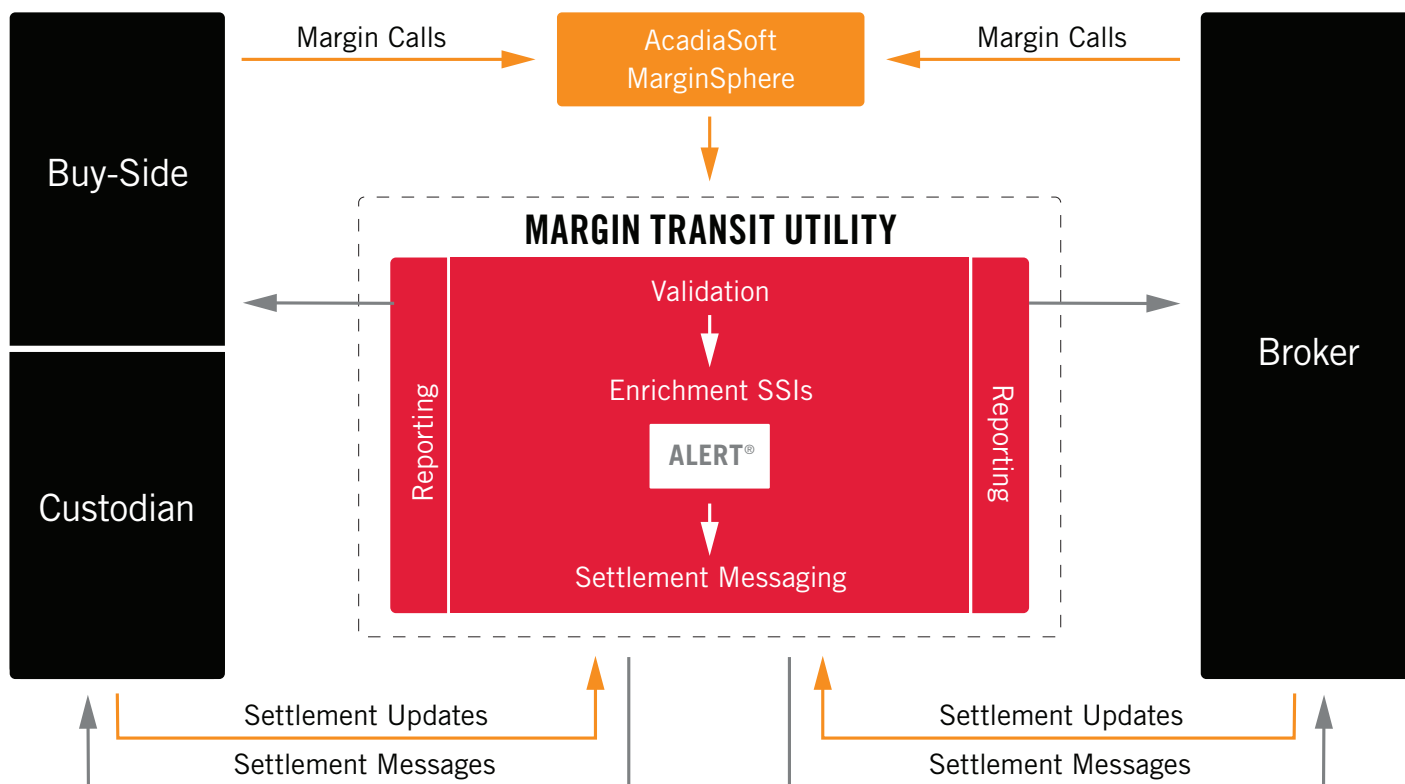
In a bilateral arrangement, the counterparties agree to the margin amount and affirm the collateral to be posted/received via AcadiaSoft. Then a pledge accept message is sent from AcadiaSoft to MTU where it:

- Validates the collateral message from the matching source,
- Enriches the SWIFT-formatted message with ALERT® collateral settlement instructions and sends it to the parties responsible for settlement,
- Delivers settlement confirmation to counterparties, and
- Provides status updates including exceptions and rejections.

Where counterparties use a triparty collateral service provider to optimize their collateral management and one or both counterparties use MTU, MTU provides one or both firms with consolidated reporting. After the counterparties agree to the RQV (Required Value):

- MTU consumes the RQV and shares it with the respective triparty provider on behalf of one or both counterparties (pledgor and/or pledgee),
- The triparty provider processes the collateral settlement and sends a SWIFT-formatted status update to MTU, and
- The status update can be viewed by either or both counterparties in the MTU GUI or sent to the MTU user's collateral management system via an XML-format SWIFT ISO message.

MTU Messaging & Reporting Service Workflow Overview



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