

DTCC



GlobalCollateral

Collateral Management Utility

Maximizing efficiency in collateral management

Financial reforms are increasing the importance of effective collateral management. Whether for OTC derivatives or financing, firms have to identify, source, select, post and monitor collateral far more efficiently than they have in the past. The Collateral Management Utility (CMU) helps you rise to the challenge, reducing collateral processing risk, minimizing intra-day credit utilization and freeing you to focus on business opportunities

Reform of OTC derivatives – not only central clearing, but also BIS-IOSCO requirements for non-cleared derivatives – requires counterparties to post and manage significant amounts of additional initial margin collateral. Other changes, such as Basel III's capital requirements, are also increasing the need to mobilize collateral in the most operationally efficient and cost-effective ways.

The CMU is a global utility designed to transform collateral management. Built on Euroclear's Collateral Highway services, it automates collateral management, no matter what the underlying exposure (derivative, repo, securities lending) or where the collateral is held.

Benefit from streamlined collateral processing

The CMU benefits all market participants, whether managing exposures related to derivatives, securities financing and other transaction types. It reduces collateral processing risk, and allows you to seamlessly allocate securities directly into your counterparty's collateral account. In the financing market, through continuous collateral processing, the CMU reduces usage of intra-day credit and widens broker-dealers' funding bases, enabling them to access assets whether held at DTC, Euroclear or elsewhere.

In particular, the CMU delivers:

Mobility

- Ability to broaden funding base through a quick mobilization of liquid and non-liquid assets on a global basis
- Fast collateralization thanks to continuous processing of collateral operations
- Access to a global ecosystem of collateral givers and takers

Transparency

- Global view of eligible assets wherever they may be
- Real-time consolidated reporting of exposures and collateral allocated

Efficiency

- Lower operations and systems costs through harmonized processing
- Greater operational efficiency from automation and STP
- Automatic collateral selection and substitutions
- Capital efficiency through best use of assets

Security

- Less counterparty risk due to STP, reducing failed trades
- Continuous monitoring of collateral positions
- Lower credit exposure through continuous settlement
- Better liquidity risk management through near real-time settlement information
- Reduced operational risk through automation

Lifting collateral management to a new level

The CMU is a complete service that introduces a new level of efficiency to both OTC derivatives and financing markets. Its suite of collateral processing and monitoring services automates the collateralization of exposures arising from derivative transactions, as well as from repos and securities lending.

Through the CMU's Inventory Management Services (IMS), you can access pools of securities held at DTC and use them to collateralize exposures in Euroclear Bank. Additionally, Euroclear's Collateral Highway opens up pools of securities held with organisations across seven European and two Asian markets.

To collateralize exposures, the CMU has five main functions:

- 1. A centralized repository for collateral information** A centralized repository for securities data, prices and collateral profiles agreed by counterparties. Users define and/or fine-tune their collateral profiles according to their collateral acceptance policies. Efficient maintenance of collateral profiles is key to collateral management.
- 2. Centralized collection of exposures** – Using STP (SWIFT) or non-STP (EasyWay) channels, the CMU collects, validates and maintains in real-time details of exposures between market participants, as well as collateral profiles. It supports all exposure types (derivatives, repo, securities lending), and receives exposure details from either counterparties or their agents.

- 3. Collateral monitoring & processing** – The CMU monitors the collateral allocated to counterparties. It checks the eligibility, value and thresholds of collateral, e.g. concentration limits. It also provides options to automatically select and substitute collateral, maximizing efficiency across the processing chain.
- 4. Automatic settlement generation and monitoring** – The CMU formats and generates settlement messages. It uses industry standards regardless of the collateral's ultimate settlement location. To achieve seamless and timely collateralization of exposures, the CMU monitors the processing of the collateral movements.
- 5. Real-time reporting** – Using STP (SWIFT) or non-STP (EasyWay) channels, the CMU provides counterparties with real-time collateralization status updates as well as collateral statements. Users monitor the collateralization process, gaining a consolidated view of exposures as well as collateral positions.

Working with the industry

Who better to help the industry rise to its operational challenge than DTCC and Euroclear, the joint-venture partners behind GlobalCollateral?

We have designed the Collateral Management Utility after discussions with broker-dealers, CCPs and custodians.

For more information or to arrange a meeting, please contact: **Ted Leveroni** (tleveroni@dtcc.com) or **Joyce Thormann** (joyce.thormann@euroclear.com)

