



*Reduce costs and risks
and achieve regulatory
compliance*

Benefits

- Reduce costs
- Reduce counterparty and operational risks
- Improve transparency and reporting on collateralisation activities
- Comply with new regulation
- Maximise investment in SWIFT

Triparty Collateral Management

*A standards-based solution to ensure
transparency and efficiency of triparty collateral
management processes*

Collateral management was once considered a routine middle office task. Since the financial crisis, however, it has come to be viewed as a key tool to mitigate counterparty, credit and operational risk. But collateralisation can be a challenge to manage.

Triparty collateral management services are an attractive option for firms that prefer to stick to their core competencies. That said, new regulations require more transparency and reporting on collateral management activities. So opaque processes that mask the underlying details are just not acceptable anymore. To enable transparency, standardisation and automation are critical. SWIFT's Triparty Collateral Management solution can help.

What is the triparty collateral management challenge?

The financial crisis has thrown the importance of managing counterparty risk – and the surrounding operational environment – right into the spotlight. As a result, collateral management has now taken centre stage as a critical tool to mitigate counterparty, credit and operational risk.

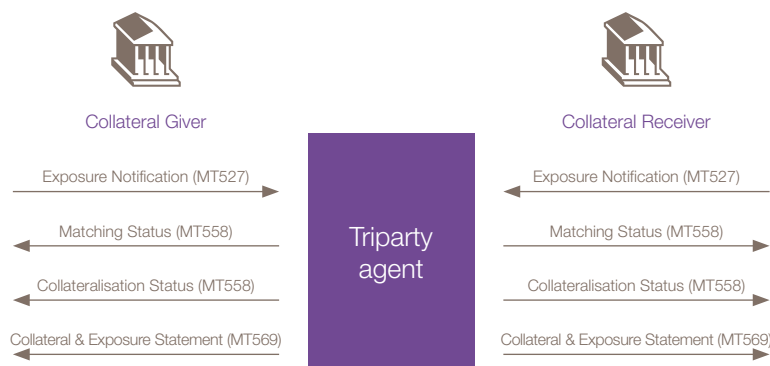
New regulation being introduced to try to prevent a repeat of the crisis in the future is driving a review of collateral management processes.

Essentially, regulators around the world are demanding more transparency on - and reporting about - collateral management activities. The mechanics of any collateral management programme must therefore be crystal clear.

Because the day to day management of collateralisation programmes can be quite demanding, many firms – banks, broker/dealers, investment managers - choose to take advantage of triparty collateral management services from agent banks. If they do this, the two parties to a transaction effectively delegate their day to day operational responsibilities around collateralisation to the chosen agent – which could be an international central securities depository (ICSD) or CSD, or a clearing bank.

The agent then performs tasks such as the selection and automatic execution of collateral transfers, and ongoing validation that exposures are being appropriately collateralised through daily mark-to-market checks on the collateral throughout the lifecycle of the transaction.

In the increasingly demanding regulatory environment though, firms must ensure that their triparty collateral management service providers are adhering to new requirements for transparency and reporting. So to be successful in the triparty collateral management business, the agents need to provide this transparency to their customers and to the market's regulatory overseers.



▲ Life-cycle of a Triparty transaction: From matching to settlement

SWIFT's solution for triparty collateral management

SWIFT's Triparty Collateral Management solution meets the needs of both customer and provider in this regard.

Based on ISO 15022 securities standards, this solution enables automated, transparent communications between counterparties to a transaction and their triparty agents.

SWIFT's triparty messages enable the exchange of information around exposure notifications to triparty agents, information on matching and collateralisation status and exchange of statements covering collateral and exposure positions.

The suite of messages has been implemented by more than 150 customers and leading triparty agents and (I)CSDs globally. The message contents comply with the current regulatory framework.

How does the SWIFT solution work?

SWIFT's Triparty Collateral Management solution is composed of three FIN messages (transmitted over SWIFT's highly secure, resilient network) covering the communication between a triparty agent (CSD/ICSD/ clearing bank) and its service participants (banks, broker/dealers, investment managers et cetera):

- MT527 Triparty Collateral Instruction
- MT558 Triparty Collateral Status and Processing Advice
- MT569 Triparty Collateral and Exposure Statement

The parties to a triparty transaction agree the terms and conditions of the transaction outside the triparty environment. Following the agreement, both sides instruct the designated triparty agent to process, collateralise and service their transaction within the triparty environment during the transaction lifecycle.

Today, SWIFT's Triparty Collateral Management solution has 150 live users, originating from 21 different countries. An additional 65 users are testing the solution.

What are the main benefits of the SWIFT Triparty Collateral Management solution?

Comply with new regulations. The SWIFT solution helps you meet regulatory requirements for transparency, reporting and improved counterparty risk management. It also enables you to fulfil your operational obligations, for example the initiative by the Federal Reserve in the US to regulate repo markets.

Reduce costs and risks. By replacing manual activity with standardised, automated processes, you can reduce your number of failed transactions and exceptions, and realise significant cost savings.

Focus on your core competences. If you are a bank, broker/dealer or investment manager keen to take advantage of collateralisation without the headache of its day-to-day operational challenges, you can leverage SWIFT and leave collateral management to your triparty agent –

confident that your need for transparency and reporting on your collateral activities will be fully met.

Maximise your investment in SWIFT. Whether you are a user or provider of triparty collateral management services, you can reuse your existing SWIFT infrastructure, extracting more value from the money you have already invested in standardised messaging and SWIFT connectivity across your business.

For more information, please contact your SWIFT account manager or visit www.swift.com

About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect over 9,500 banking organisations, securities institutions and corporate customers in more than 200 countries. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest. www.swift.com