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*\*5 to be demonstrated in UI*

# Collateral Management & MARS

## What do we do as Business ?

We do support the margining/collateral for the OTC derivative trades done by SCB

## What is an OTC derivative trade ?

It's a contract which is done on an underlying asset between two parties with a predetermined price and a future date.

An underlying asset can be anything, such as Commodity, Stock, Security, Property, Currency etc. Precisely something which has some value.

## Need of Collateralization

- ❑ Due to the nature of the contract we need to minimize the risk of counterparty default.
- ❑ Meeting regulatory requirements.

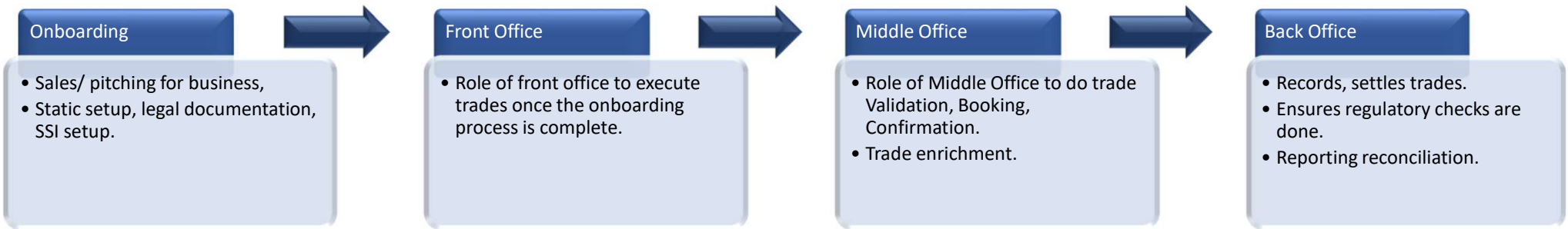


Understanding more about OTC trades with an example of “OPTION”

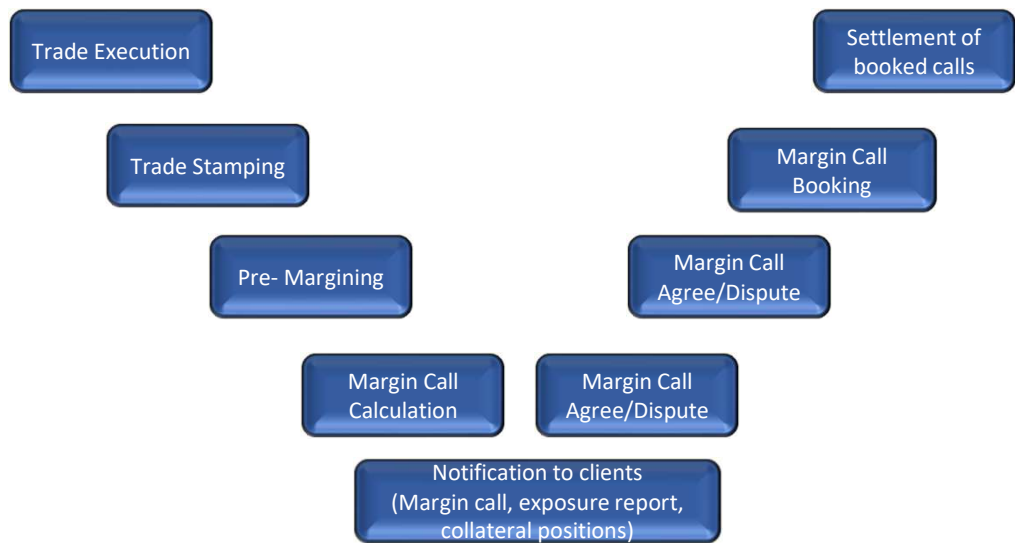


Current Price of the house	Agreed Price (Strike Price)	Purchase Date (Maturity date)	Security deposit (Option Premium)	BUYER RISK	SELLER RISK
\$ 260,000	\$ 280,000	27-Jun-2024	\$10,000	\$10,000	Unlimited

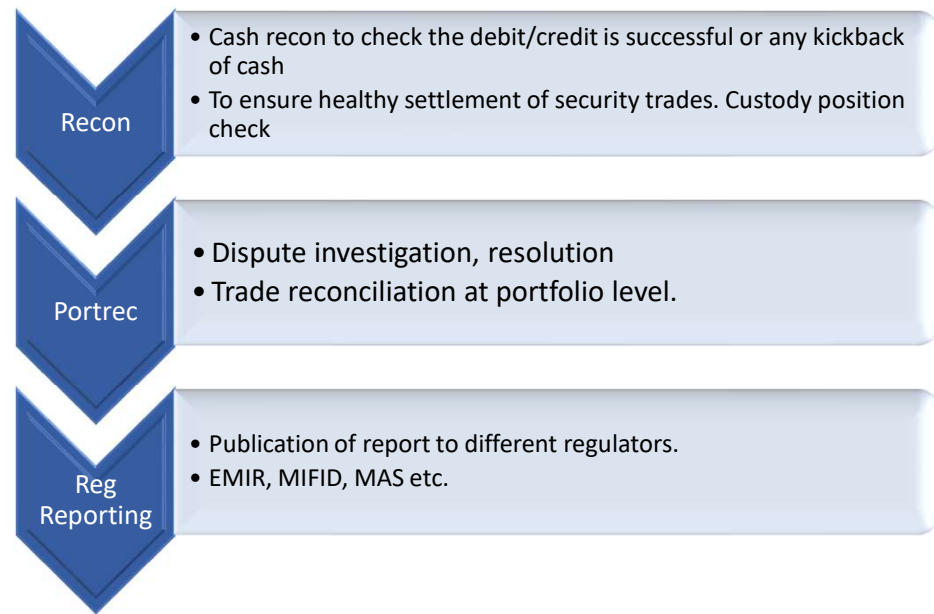
Hawk eye view of business process flow



High Level Margin Call Process



Post Settlement activities

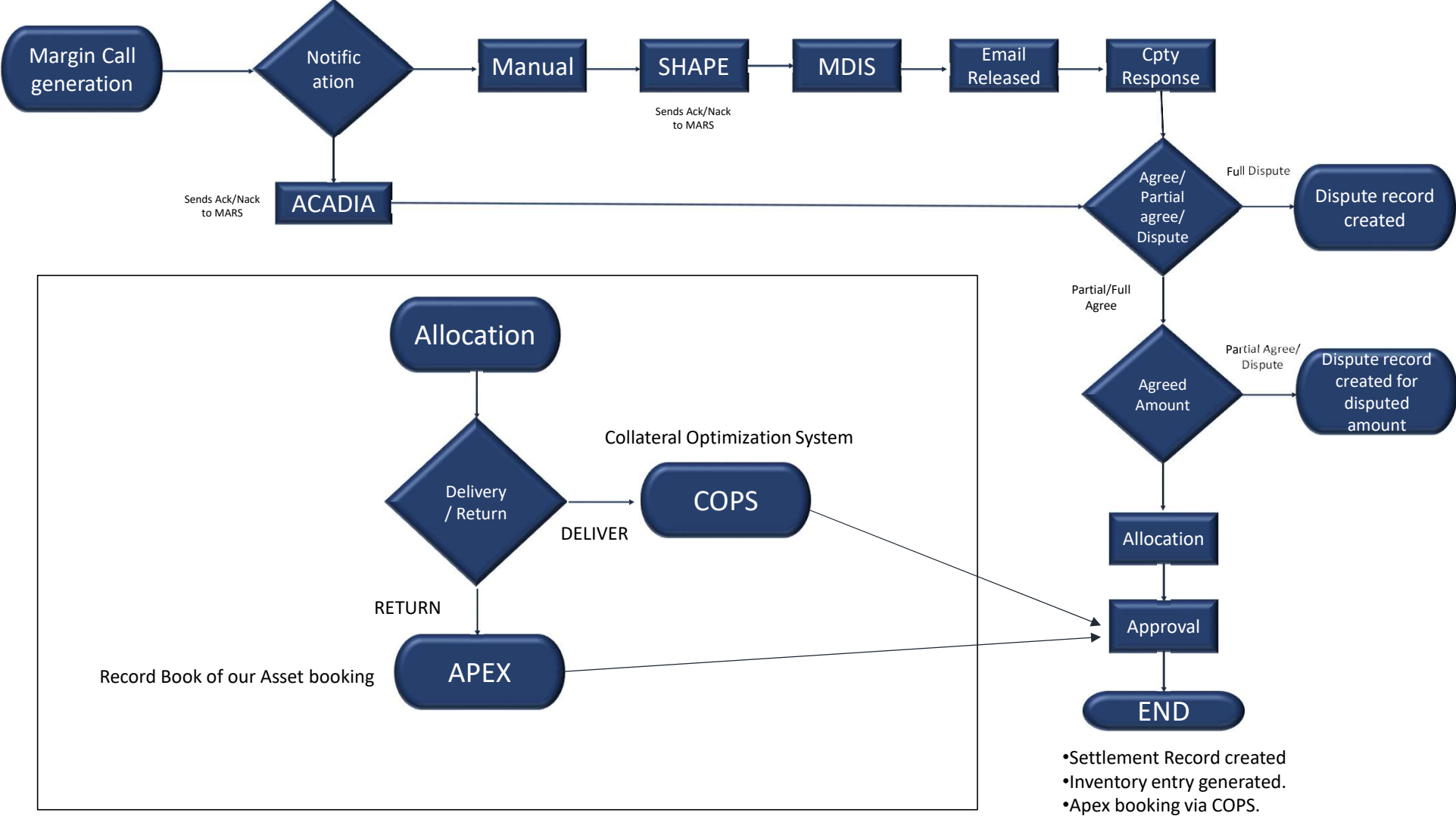


## Mathematical representation of margin call calculation

SL	Details	Logic		Source	Nature	Day 1	Day 2	Day 3	Day 4		Day 5	
A	MTM	As per valuation model		TP System	Variable	-1,234	-527	-709	479		-577	
B	Threshold	An amount till which Margining will not be done(mostly applicable for IM agreements)	As Defined in CSA by Legal negotiator	ICDMS	Static	100	100	100	100		100	
C	Rounding	Rounding unit applcable to "G"				10	10	10	10		10	
D	Rounding Method	Rounding direction applcable to "G"				Down	Down	Down	NA**	Down	NA**	Down
E	MTA	Minimum Transfer Amount for "G"				250	250	250	250	250	250	250
F	Collateral Balance	Net of all previous Margin transactions(J)		MARS Inventory	Variable	0	-1,130	-520	-520	0	470	0
G	Margin Call amount	A+F (B to E needs to be considered)*		Calculation Based	Variable	1,130	610	180	520	470	470	570
H	Type	"G" > 0 = MC      "G"< 0 = EMC				EMC	MC	No Action	MC	MC	EMC	EMC
I	Direction	If H= MC and F is "+" then "Deliver"				Deliver	Return	NA	Return	Deliver	Return	Deliver
		If H= MC and F is "-" then "Return"										
		If H= EMC and F is "+" then "Return"										
		If H= EMC and F is "-" then "Deliver"										
J	Agreed amount*	As per Client/SCB Confirmation on Notification date				1,130	610	0	520	470	470	570

- \* Margin call/Agreed amount will be always having absolute value. "+" / "-" is defined by type. i.e MC/EMC
- \*\*MTA is not applicable for full return

INTERNAL



INTERNAL

Valuation Date ▼ 04 Jan 2024 → 05 Jan 2024		(Select Workgroups) ▼		(Select Agreement Groups) ▼		(Select Reference Groups) ▼		<div><input type="checkbox"/> Task View</div> <div><input checked="" type="checkbox"/> Cpty</div> <div><input checked="" type="checkbox"/> Final</div>			
Total Calls 1,390	Outgoing 500	Queued 15	Received 262	Agreed 27	Pledged 24	Disputed 90	Accepted 82	Cancelled 0			
	Incoming 890	Expected 661	Received 18	Agreed 41	Pledged 16	Disputed 67	Accepted 87	Cancelled 0			

Margin Calls

INSERT - MARGIN CALL

REFRESH

CLEAR GRID FILTERS/SORTERS

☐ Duplicate Calls

☐ Final

☐ No Action

☐ Substitution

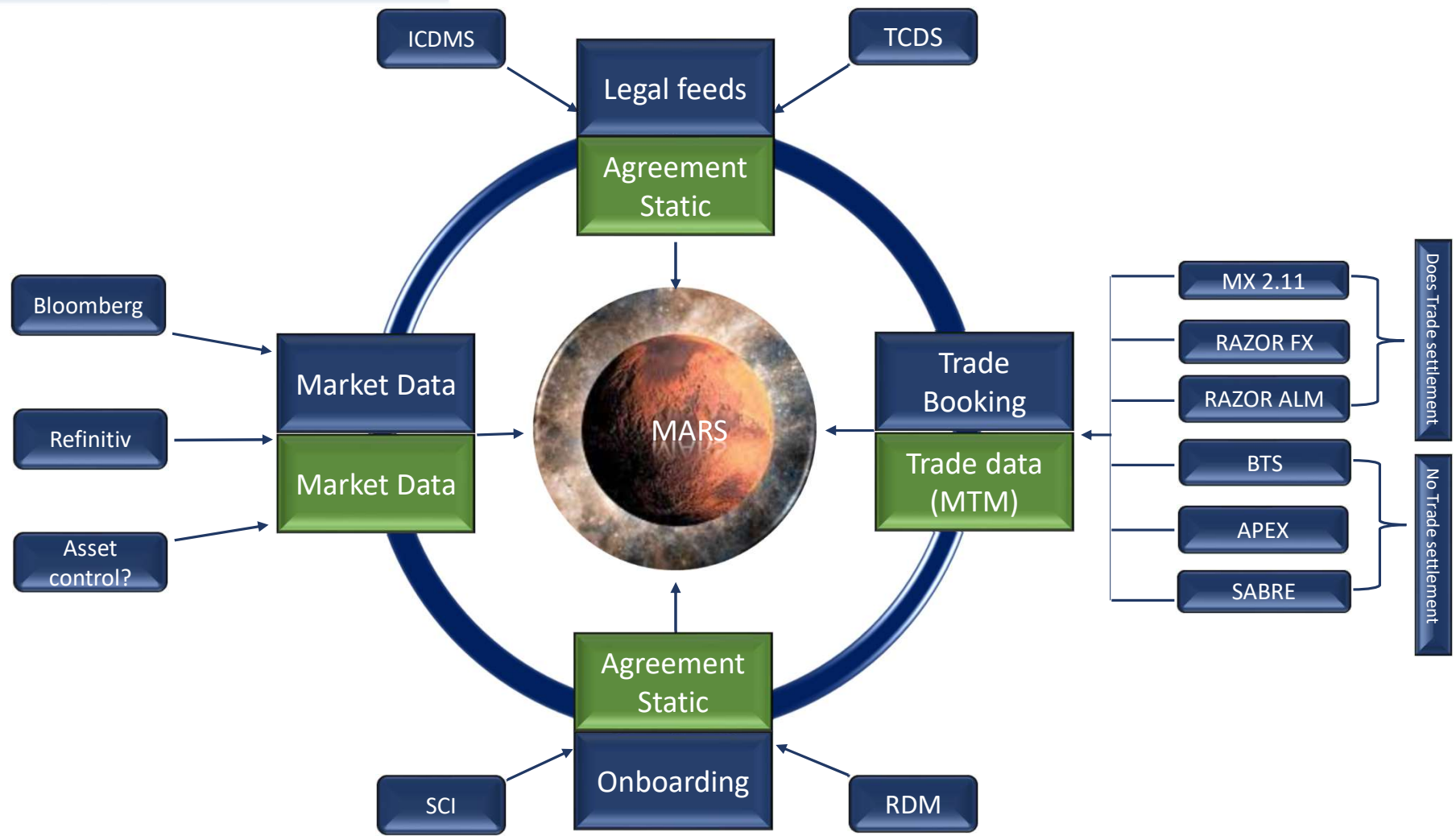
Total Calls 8711	Waive / Reject / Cancel / Repriced ToBeValidated 2228	ToBeValidated MC	1622	Issued	1944	Agreed	544	To Be Approved	340	Pledged Rejected	178	Alloc - To Be Agreed	0
		ToBeValidated EMC	44	Expected	0	Agreed	374	To Be Approved	255	Pledged Rejected	519	Alloc - To Be Agreed	215

Date/Time	Col Origin Id	User	Action	Validation Status	Comments
2024-01-05 03:06:45	106092535	MARS	Ack trade confirmation		
2024-01-05 03:06:40	106092535	MARS	ScbCollateralProposalAgreed - ...		
2024-01-05 03:06:39	106092535	MARS	COPS notification sent - Alloca...		
2024-01-05 03:06:39	106092535	MARS		ToBeSettled	
2024-01-05 03:06:39	106092535	MARS		AllocationValidated	
2024-01-05 03:06:39	106092535	MARS	Acadia Pledge Accept Received		
2024-01-05 03:06:15	106092535	1637055		Allocation - To be Agreed	
2024-01-05 03:06:15	106092535	1637055		AllocationValidated	
2024-01-05 02:47:37	106092535	MARS		Allocation - To be Validated	
2024-01-05 02:47:37	106092535	MARS		Allocated	
2024-01-05 02:43:51	106092535	MARS	CptyActualMarginCall - Ack		
2024-01-05 02:43:51	106092535	MARS		ToBeAllocated	
2024-01-05 02:43:51	106092535	MARS	COPS notification sent - Agreed		
2024-01-05 02:43:50	106092535	MARS		Agreed	
2024-01-05 02:43:37	106092535	MARS	Acadia match found		
2024-01-05 02:43:37	106092535	MARS	Acadia Ack received - Validation		
2024-01-05 01:29:47	106092535	MARS	CptyAnticipatedMarginCall - A...		
2024-01-05 01:29:19	106092535	MARS	COPS notification sent - Valid...		
2024-01-05 01:29:14	106092535	MARS	Acadia notification sent - Valid...		
2024-01-05 01:29:12	106092535	MARS		Validated	
2024-01-05 01:29:12	106092535	MARS		ToBeAgreed	
2024-01-05 01:29:07	106092535	STP_USER		ToBeValidated	



INTERNAL

Source of information to MARS (Upstream)





Downstream/Linked systems to MARS

Function	Settlement			Report & Recon			Messaging	In House		
System Name	GPTM	RAZOR	IMPACT	TLM	RATAN	Tri-Resolve	Acadia	SHAPE	APEX	COPS
Role	Non-US Securities Settlement	Cash Settlement	UST Settlement	Reconciliation platform for cash and securities	Reporting interface	Trade/ portfolio reporting	Margin Call messaging	Email Messaging for external emails from MARS	Securities booking and trade booking	Collateral optimization system
Vendors	Broadridge	MUREX	BONY	Smartstream	In-House	Tri-Resolve	Acadia	In-House?	In-House?	In-House

End of session  
(To be continued as needed)

(To be continued as needed)