

Collateral Management across the Front & Middle Office

Regulations created in the aftermath of the financial crisis, including the Clearing Mandate for standardized swaps, adoption of the BSBC/IOSCO margin framework for Uncleared OTC Derivatives and FINRA Rule 4210 for TBA securities, have significantly increased buy-side collateral and margin requirements.

In response, firms are posting increasing amounts of collateral as initial margin (IM) which creates a drag on fund returns. In the middle office, rising margin requirements result in greater margin call volumes for collateral teams to process, compounded by the complexity of managing non-cash collateral.

Manually resolving issues such as exposure breaks, sold collateral, coupons on collateral, and securities lending by custodians is labor intensive and error prone. Workflows are further challenged by disparate and unsynchronized front and middle office systems that fail to detect when pledged collateral is sold by the front office or coupons/dividends are delivered to the wrong party.

Charles River Investment Management Solution (**Charles River IMS**) enables firms to address these challenges by managing the entire collateral lifecycle on a single platform, from pre-trade analytics and exposure calculations through to margining and reconciliations.

Charles River's Collateral Management Solution for the Front and Middle Office



Front Office Capabilities

The ability to obtain pre-trade and end-of-day margin estimates directly from the Charles River IMS is designed to improve trading decisions by providing an accurate and consistent view of margin impact and lifetime trade costs across the trade lifecycle. This helps firms make the most efficient use of scarce margin.

KEY BENEFITS:

- **Transparency:** Minimize use of margin based on pre-trade estimates of initial margin for listed, cleared and bi-lateral OTC Derivatives
- **Clearing Venue / Broker Selection:** Firms can select the optimal clearing venue or clearing broker based on pre-trade margin estimates and fees/commissions
- **Visibility:** The front office gains real-time transparency into the pledged levels of assets

Middle Office Capabilities

Charles River IMS enables collateral management teams to stay in synch with trading activity. Informed by a timely view of available assets, teams can leverage electronic workflows to help ensure margin calls are fulfilled and communicated in a timely manner between the front and middle office.

KEY BENEFITS:

- **Validate:** Teams can prepare for the next day's margin calls with accurate estimates for initial and variation margin based on end-of-trading day estimates
- **Automation:** Exception based processing using configurable rules helps minimize manual intervention
- **Messaging:** Collaboration with industry-standard messaging service providers support electronic margin and collateral communications
- **Settlement:** Custodians and other service providers can benefit from straight through processing (STP) of settlement instructions
- **Alert:** Collateral teams can proactively send notifications for pledged collateral to counterparties

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Investment, wealth and alternative managers, asset owners and insurers in 30 countries rely on Charles River IMS to manage USD \$46 Trillion in assets. Together with State Street's middle and back office services, Charles River's cloud-deployed front office technology forms the foundation of State Street AlphaSM. Charles River helps automate and simplify the investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Charles River's partner ecosystem enables clients to access the data, analytics, application and liquidity providers that support their product and asset class mix. We serve clients globally with more than 1,200 employees in 11 regional offices. (Statistics as of Q2 2022)

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