

## Case Study #3

# Achieving Efficiency Gains through a Central Collateral Trading Desk

A leading corporate and investment bank in the Nordic countries has chosen ActiveViam's Atoti solution to implement a central collateral trading desk. Previously, the bank's collateral management was fragmented across multiple trading desks, each managing its own asset inventory. Additionally, the bank maintained a central pool of assets to meet Basel III liquidity ratios, particularly the NSFR and LCR requirements. However, the bank lacked a consolidated view of available and pledged collaterals, resulting in suboptimal asset utilization.

This lack of visibility led to potential revenue shortfalls due to an overly cautious approach to asset utilization to maintain required liquidity ratios. The bank also faced challenges in obtaining an intraday view of collateral movements. The end-of-day (EOD) position reports for each desk did not provide real-time tracking of inventory changes, causing traders to borrow bonds or equities from the market when a collateral shortage was detected, instead of utilizing available assets from other desks. This situation resulted in higher collateral funding costs.

By implementing Atoti, the bank created an intraday, cross-asset inventory consolidating assets from various sources, including stock lending, fixed income, and equities desks. This enhanced visibility allowed significant cost savings through more efficient asset usage. For instance, Atoti provided accurate and timely insights into available collateral, detailing their locations and custodians, a crucial step for true optimization.

The Atoti solution also supported the establishment of a centralized collateral trading desk, delivering collateral services to the bank's trading desks and client organizations using the bank as their prime broker. Collateral managers utilized Atoti to retrieve all exposures to counterparties, identify eligible collateral in the inventory, determine the best asset classes to use, and eventually book them. The bank also plans to use Atoti as a centralized hub where CSA and implicit eligibility rules by counterparty can be documented and shared by traders and collateral managers.

Finally, full visibility into collateral enabled the bank to hold trading desks accountable for their PnL. A fee-based mechanism, based on the type and cost of assets used as collateral, is currently being investigated.