The Convergence of Securities Finance and Collateral Management
Introduction

Empowering Securities Finance and Collateral Management

Every business has underused assets and uncovered liabilities. If you’re more efficient about how you manage your business across the enterprise, you can balance those much more effectively and make your assets work harder for you while making sure you meet your regulatory requirements in the most efficient way.

That sounds easy. But how do you put it into practice? How do you sell it internally if it means organizational changes? And what are the real benefits?

Explore our new eBook, The Convergence of Securities Finance and Collateral Management, to find out exactly how you can bring securities finance and collateral management together – and why the leading firms are already heading in that direction.
As firms search for new ways to relieve margin pressures and manage their collateral more efficiently, more and more of them are recognizing the value of bringing together their securities finance and collateral management functions.

**But how do you sell a change that will affect staff, workflows and systems?**

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### 1. Enterprise-wide efficiency
This is the way to achieve it. Even the most efficient businesses have under-utilized assets and cross-enterprise, or even cross-jurisdictional, management of those assets can bring significant savings.

### 2. Automation
In many firms, multiple people are doing similar jobs in similar places. Some of that can be automated. For example, you’d be able to converge multiple desks into a single one with broader capabilities and reach. With the increasing volume and complexity of sometimes contradicting regulations, automation of the process is a must, not a “nice to have”. Bringing technology to bear will release staff to work on more valuable tasks.

### 3. Regulatory compliance
How are you going to meet your regulatory demands when you manage your business, your risk, your balance sheet, etc., all separately? Bringing securities finance and collateral management together enables you to see the full picture and make fully informed decisions.

### 4. Simplified operations and reduced risk
These are very complex businesses with multiple pools, often with individual objectives; if you can get that under one roof, you can simplify and streamline, reduce risk and enhance efficiency.

### 5. Reduced costs
If you can make your assets work in the most optimal way, ensuring all eligible collateral is being put to work, wherever it may be, you avoid unnecessary costs and you won’t leave money on the table.
The Newest Odd Couple: Securities Finance and Collateral Management

David Lewis,
Senior director, Securities Finance and Collateral Management, FIS Global

Twenty years ago, when I worked on a fixed income repo desk, no one even spoke to the securities lenders who did equities. The concept of a combined collateral desk was incredibly innovative but rarely came into being due to internal politics and fiefdoms.

Today, margin pressures and regulatory requirements — including MiFID II — are finally turning that idea into reality. The industry now recognizes the efficiencies of putting the financing business under the same roof as collateral managers. This “odd couple” makes a lot of sense. To be as efficient as possible in the use of the inventory for funding, yield enhancement and compliance with regulatory capital requirements and collateral managements, you need to bring together all of the asset pools for the securities finance business and your collateral requirements across business lines, and, indeed, across the whole enterprise.

But accomplishing this means internal reorganizations and new workflows. Some buy-side firms are also bringing collateral management and financing in-house rather than paying agents to do this for them. With a rapidly increasing choice of platforms and options available to them, the barriers to entry are falling all the time. >>
The short-term pain of bringing the securities lending and collateral functions in-house is worth it. Beyond the cost savings from cutting out the agent, if you optimize how you manage your collateral across the enterprise, you can reduce the impact of capital requirements on your balance sheet. In fact, by some estimates, you could save five to 15 basis points.

And that’s not the only benefit of converging your business units. Firms that make this move can increase yields by making smarter decisions around what assets they allocate to their lending program and collateral requirements. Second, with global optimization, they can use their assets to cover exposures in one jurisdiction with excess balances from elsewhere. Third, they can mobilize assets across functions, transforming them into higher quality assets when needed to meet the ever-increasing regulatory demands for collateral.

It may sound daunting, but the benefits are clear, and your competitors are already taking action. Are you?
David Lewis, senior director, Securities Finance and Collateral Management, FIS Global, discusses the benefits of converging disciplines for greater efficiency.
The future of securities finance and collateral management is clear, and your peers are already taking action. Are you?

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