



# SUNGARD ANALYSTS' DAY

BOSTON | DECEMBER 6, 2010



TRANSPARENCY • EFFICIENCY • NETWORKS

WHAT'S YOUR POSITION?

**SUNGARD**<sup>®</sup>

TEN IN PRACTICE

## Collateral Management Perspectives

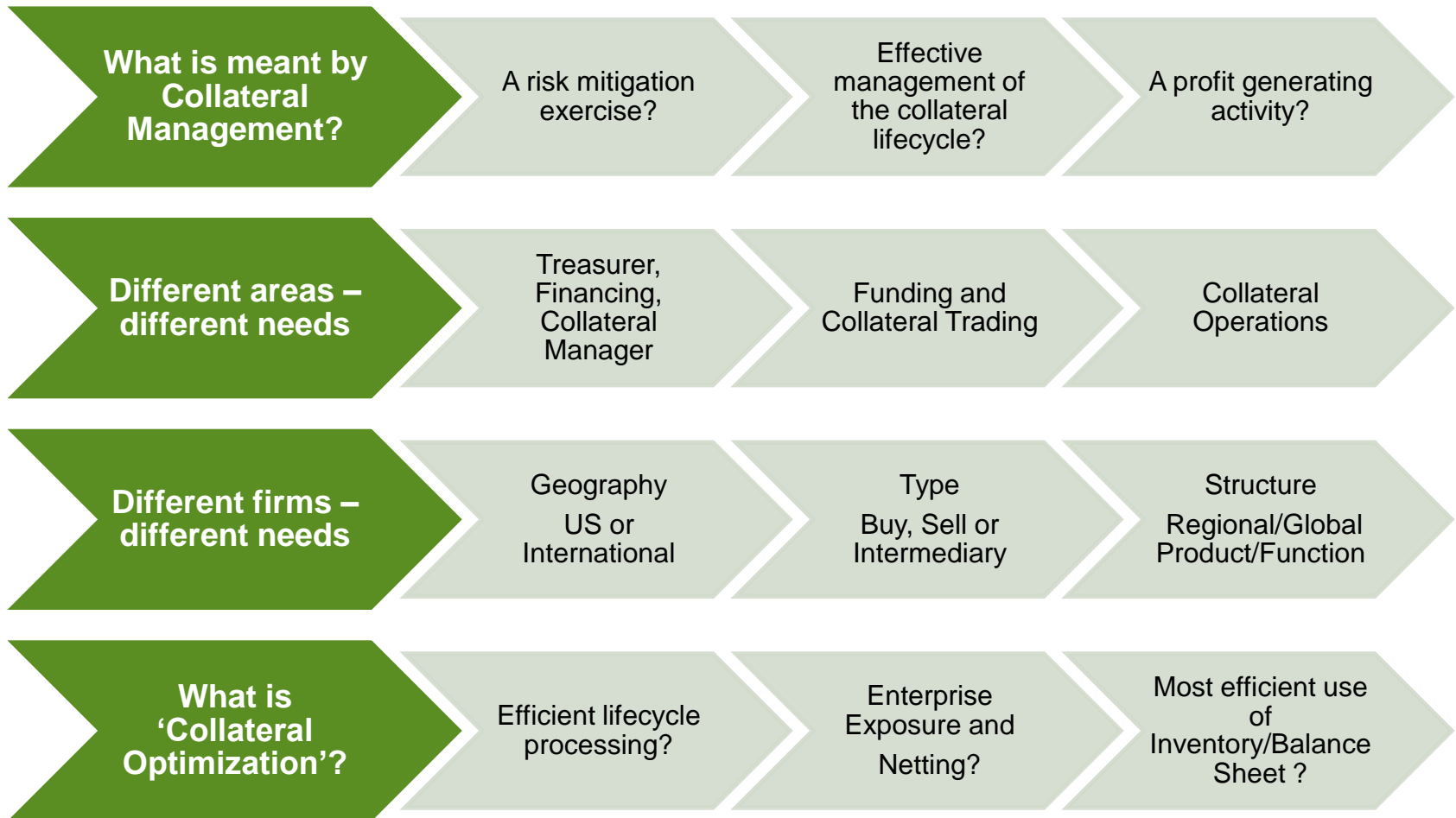
Ted Allen, Vice President Capital Markets Collateral, SunGard

John Avery, Partner, SunGard Global Services

# Agenda

- What is Collateral Management?
- Collateral Management post 2008
- Enterprise Collateral Management
- Collateral Optimisation
- The New Normal
- The Impact of Central Clearing
- Conclusion

# Collateral : Many Things to Many People...



# Collateral Management post 2008



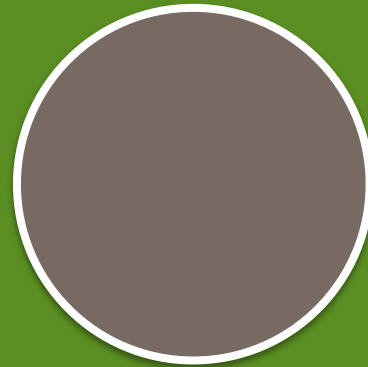
## Regulatory Overhaul

- Regulatory Reform
- OTC Clearing
- ISDA Portfolio Reconciliation
- ISDA Independent Amount



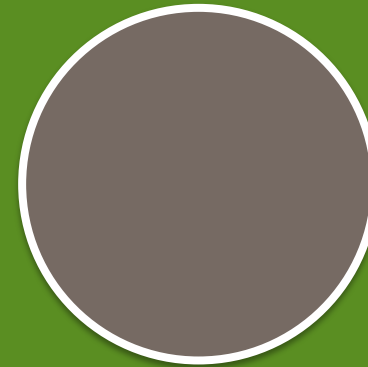
## Products Impacted

- OTC Derivatives
- Listed Derivatives
- Stock Borrow
- Repo
- Prime Brokerage



## Participants Impacted

- Asset Mgrs
- Hedge Fund Mgrs
- Prime Brokers
- Banks / Broker Dealers
- Custodians
- Tri-Party Agents



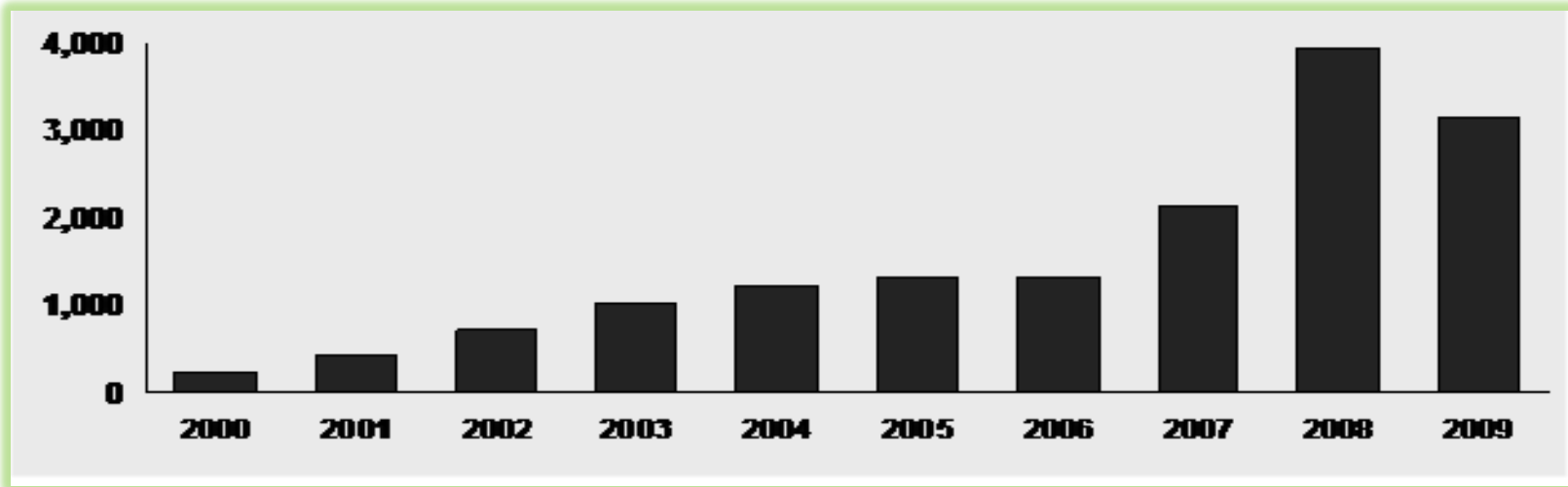
## Collateral Trends

- 100% Collateralization
- Electronic Messaging
- Collateral Quality
- Asset Optimization
- Liquidity Management
- Holistic approach

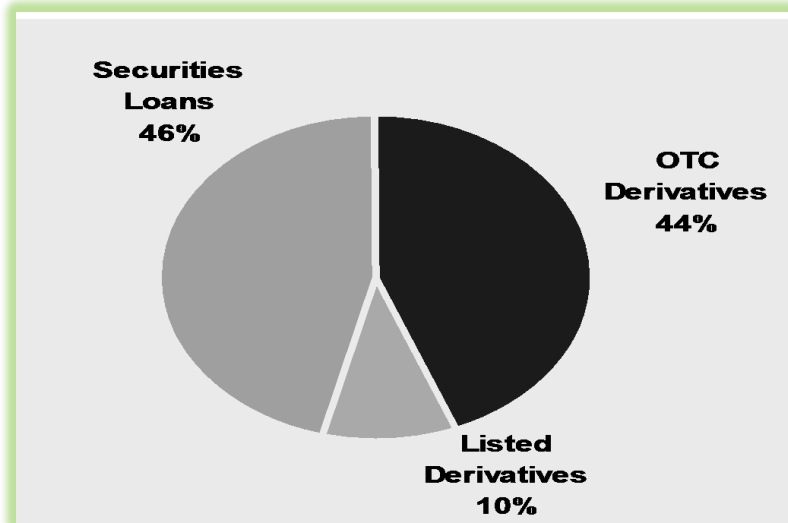


# Finadium Survey – September 2010

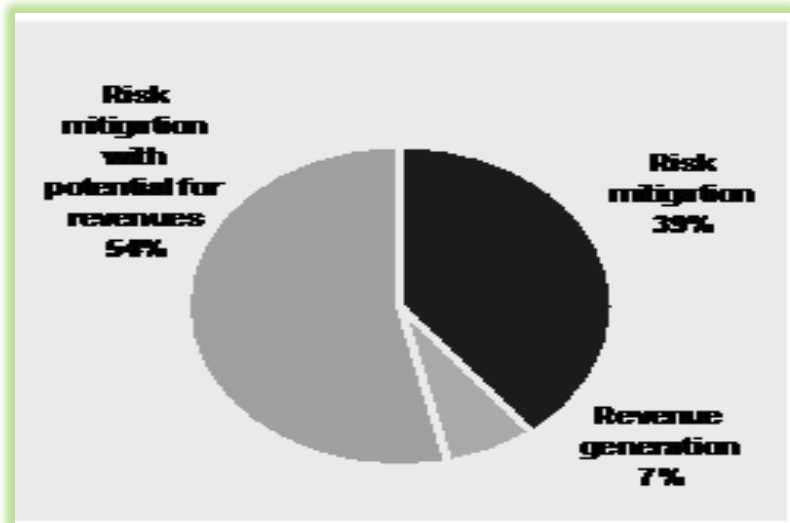
Growth of value of estimated collateral in OTC Derivatives trades (double counted), US\$B



Collateral outstanding across multiple products (single counted), Dec. 2009. Total US\$4.51 T



The function of collateral management for survey respondents



# Collateral Challenges – Trading and Operations

**ALPHA/  
PROFIT**

- 'Best use' of assets
- Optimization of inventory (firm and client accounts)
- Self funding cost centers

**COLLATERAL  
TRADING**

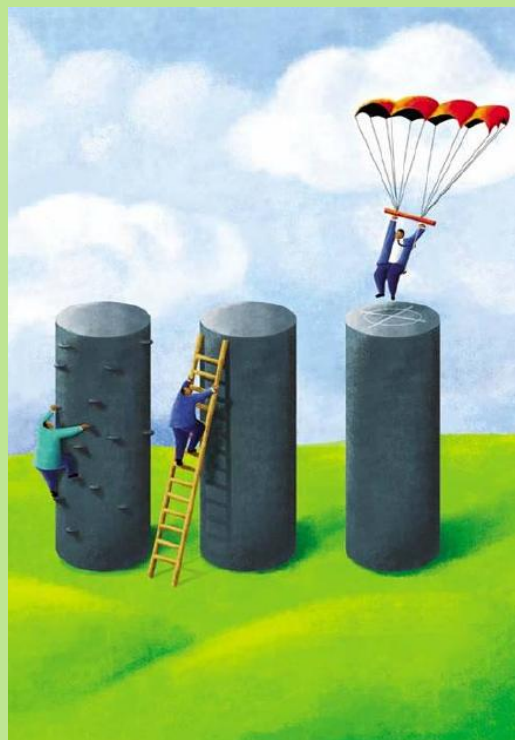
- Cross silo inventory view for trading and collateral
- Counterparty exposure cross asset and geography
- Good links with tri-party agents/CCP s
- Risk measurement/ and stress testing

**RISK/  
COST**

- Keep margin call values to a minimum
- Maximize efficiency of resources
- Optimize workflow and management of resources
- Avoid duplication
- Minimize dispute resolution times

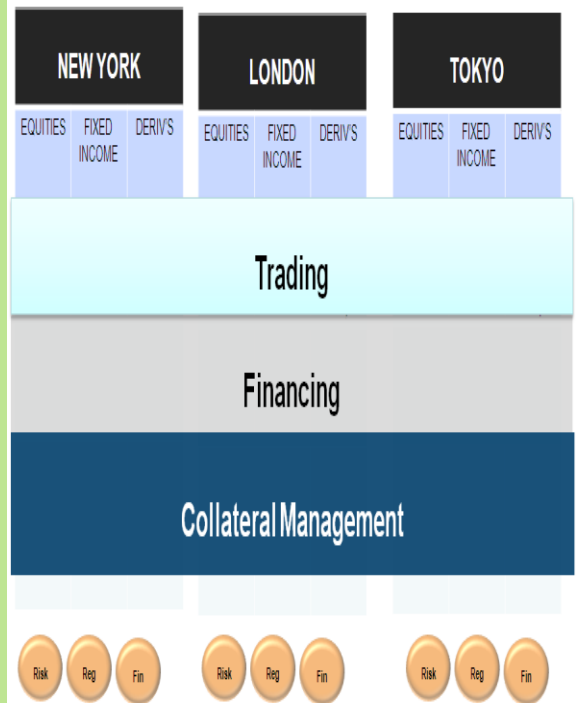
**COLLATERAL  
MANAGEMENT**

# A Common Collateral Problem – Data Silos



## Divisional Silos

Collateral utilization/deployment as per divisional priorities and availability



## Geographical Silos

Collateral utilization/deployment as per geographical priorities and availability

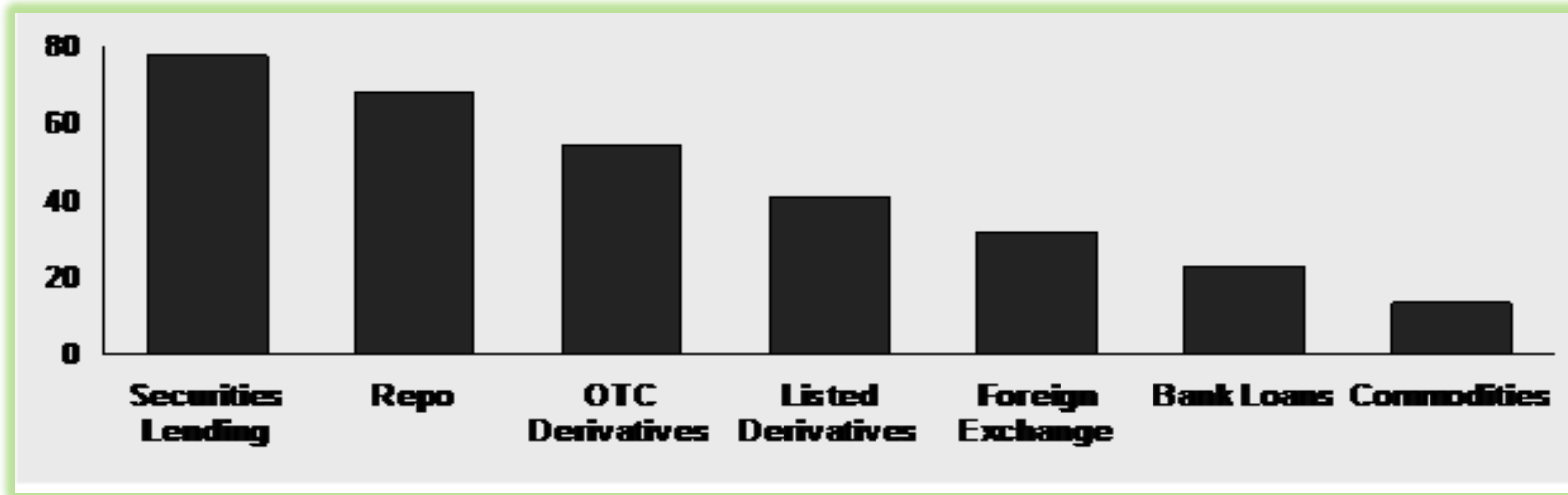


## Asset Class Silos

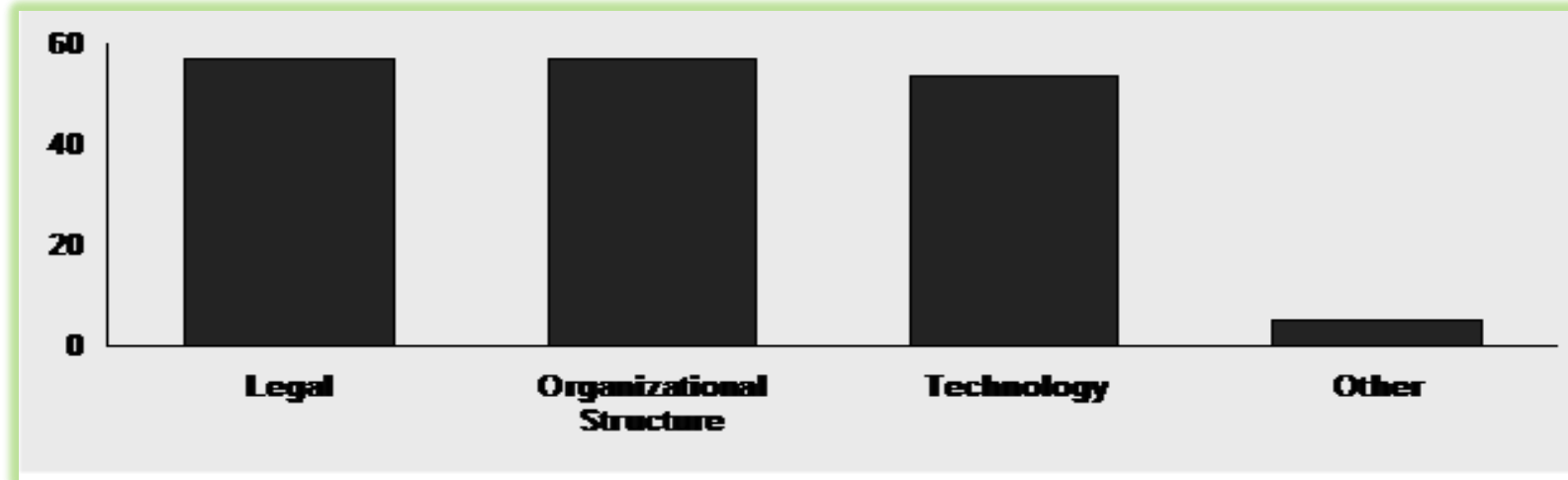
Collateral utilization/deployment as per asset class priorities and availability

# Finadium Survey: Silos

Silos that respondents plan to consolidate for collateral management (%)



Constraints to full cross-product collateralization (%)



# SunGard Enterprise Collateral Management Components

Collateral Management

Firm trading accounts

Client and Fund accounts

Tri-party agents

Position Aggregation Layer

Tradable Inventory including collateral assets

Firm wide exposure view

GMRA

OSLA

ISDA

Exchanges /CCP

Cross product margin netting

Preference pledging and asset optimisation

Margin workflow management

Exposure risk reporting

Reconciliation and Dispute management

Collateral Communications

# Enterprise Collateral Benefits

TRANSPARENCY		EFFICIENCY		OPTIMIZATION	
Transparency		Integration		Optimization	
Firm wide view of assets for trading/collateral	✓	Automated inter entity flattening	✓	Rule based optimization of inventory	✓
Cross firm holistic view of counterparty risk	✓	Cross product margin netting	✓	Optimization of 'segregated' assets	✓
Enterprise view of under/over collateralization	✓	Automated margin calls	✓	Optimized collateral workflow	✓
Real /depot inventory view (cross asset)	✓	Integration with tri-party agents	✓	Collateral preference pledging engine	✓
Visibility of individual collateral movements	✓	Collateral reconciliation and dispute management	✓		
Global reporting (management and client)	✓	Combined risk measurement/stress testing	✓		

# Collateral Optimization

What collateral is available for use for funding each business line, incl. tri-party, bi-lateral & CCPs?



How can we make optimal use of the collateral available and transfer price for its use?



How do we avoid pledging collateral that could more beneficially be used in other areas of the business?



## Collateral Optimization

How can we reduce the operational risks and costs by performing operations nearer to real-time?



How can we ensure that we maintain the correct quality and stress tested collateral for our obligations at all times?

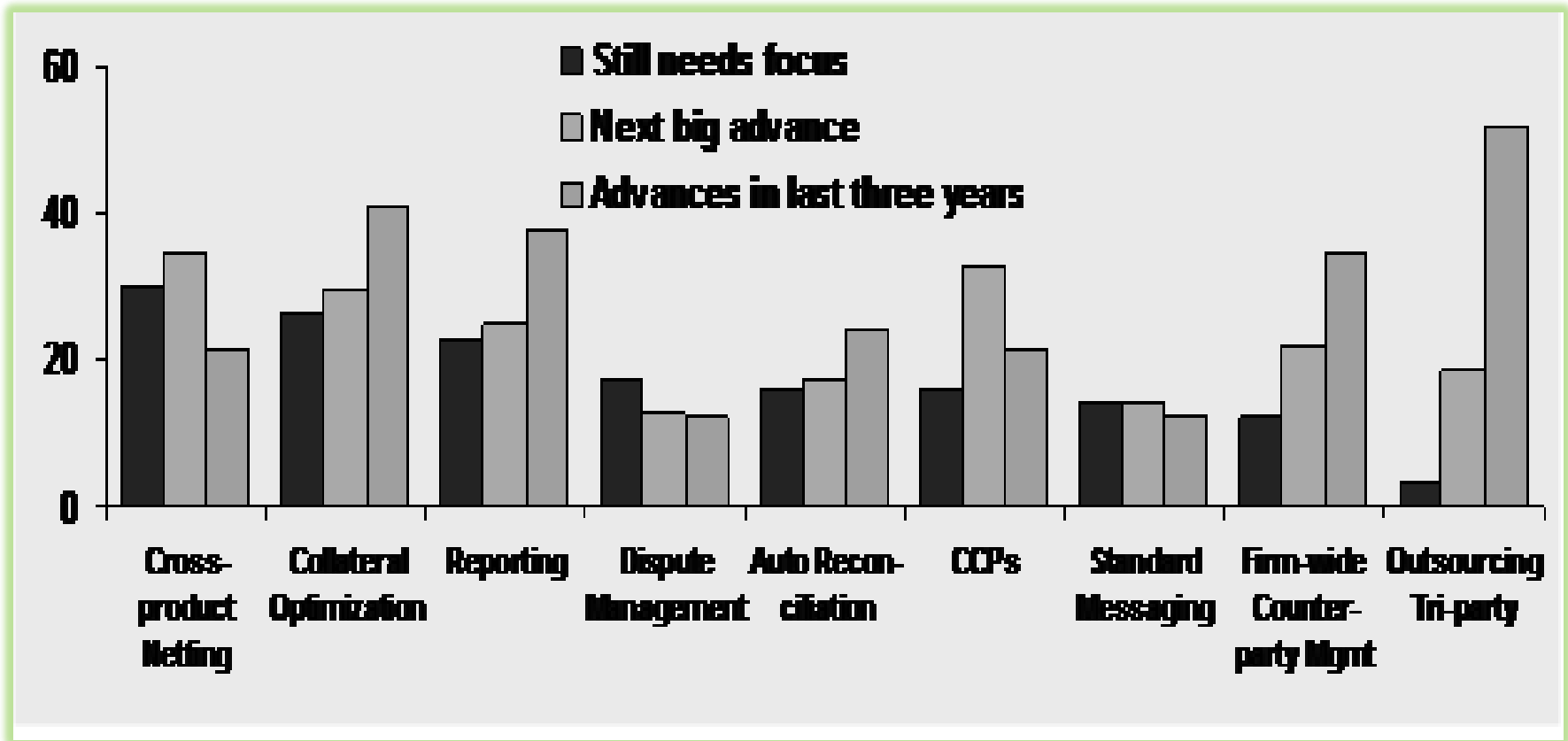


How can I choose the “cheapest to deliver” collateral and optimize substitution?



# Finadium Study: The New Normal

Most important advances in collateral management over the last three years, areas that still require attention and where the next big advance will occur (%)



# The Impact of Central Clearing

Regulation in the US, Europe and Japan to force the use of CCPs



CCPs take on the credit risk and provide opportunity for compression



- Higher margin amounts demanded by the CCP. IM applied to both sides
- Reduction in close out netting can increase risk
  - Multiple CCPs
  - Only standard trades cleared
- Liquidity impact
- Segregation and custody rule changes

# Conclusion

Collateral has meant many things to many people, but the meanings are starting to converge

Regulatory reform and industry commitments are driving these changes but the true economic impacts will develop over the coming months and years

The value of an Enterprise Collateral Management approach is that it breaks down the silos and creates opportunities for optimization



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## Questions?

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