

Margin Transit Utility

A Comprehensive Margin Settlement Solution Built to Drive Greater Efficiencies

DTCC

The Margin Transit Utility (MTU) delivers streamlined and standardized collateral management for OTC derivatives transactions and other marginable products. MTU provides flexibility for counterparties by accommodating bilateral, third-party and triparty workflow, while the automation of manual tasks helps reduce operational complexity and risk of margin-call processing. With the straight through-processing of margin calls and data aggregation, the industry can accommodate variation margin rules and the expansion of initial margin rules in 2020 and 2021.

Validate, enrich, report and monitor matched margin calls globally.

Validation – authentication of pledge accepted margin calls and proper messaging format.

Real-Time Standing Settlement Instruction (SSI) - securely capturing settlement instructions for both cash and securities globally for each collateral movement.

Enrichment - securely capturing settlement instructions for both cash and securities globally for each collateral movement.

Clear Communication - the parties to a margin call transaction are provided standard settlement messages and settlement status messages using standard ISO instructions.

Transparency - improved visibility and consolidated reporting and record-keeping on extensive collateral activity globally across all marginable products through linking settlement activity to margin activity.

Collateral Management Ecosystem:

The collateral settlement process begins when both counterparties agree on the margin call amount and either the counterparties or the triparty provider allocate the collateral.

In a bilateral or third-party arrangement, the counterparties agree to the margin amount and affirm the collateral to be posted/received via AcadiaSoft. Then a pledge accept message is sent from AcadiaSoft to MTU where it:

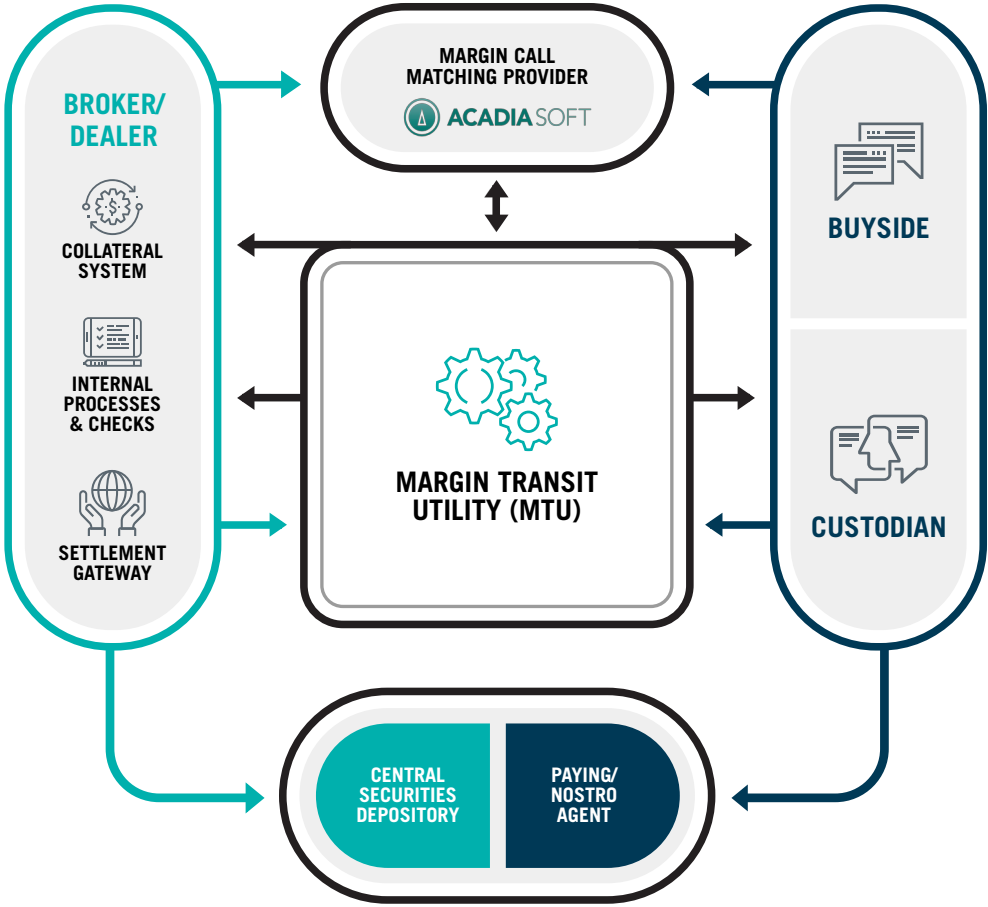
- ◆ Validates the collateral message from the matching source,
- ◆ Enriches the SWIFT-formatted message with ALERT® collateral settlement instructions and sends it to the parties responsible for settlement,
- ◆ Provides status updates including exceptions and rejections, and
- ◆ Delivers settlement confirmation to counterparties

Where counterparties use a segregated account at a third-party custodian, the MTU instruction is recognized and no authenticated release (fax) is required.

Where counterparties use a triparty collateral service provider to optimize their collateral management and one or both counterparties use MTU, MTU provides one or both firms with consolidated reporting. After the counterparties agree to the RQV (Required Value):

- ◆ MTU consumes the RQV and shares it with the respective triparty provider on behalf of one or both counterparties (pledgor and/or pledgee),
- ◆ The triparty provider processes the collateral settlement and sends a SWIFT-formatted status update to MTU, and
- ◆ The status update can be viewed by either or both counterparties in the MTU GUI or sent to the MTU user's collateral management system via an XML-format SWIFT ISO message.

MARGIN TRANSIT UTILITY WORKFLOW



Infrastructure Built to Accelerate Straight-through-Processing:

- ◆ Automated and reliable processes and streamlined messaging
- ◆ Integration with ALERT® allows the creation and maintenance of collateral standing settlement instructions (SSI) and enables real-time enrichment of collateral SSIs for margin calls in MTU
- ◆ Consolidated end-of-day-reporting
- ◆ Infrastructure that eliminates the need for direct, multiple builds to individual counterparties and custodians
- ◆ Automated outbound settlement instructions
- ◆ Transparency on the final settlement status from the Third-Party Custodian
- ◆ Scalability and capacity to handle the volatility of funding requirements and rising collateral demands caused by market and regulatory changes

DTCC

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