



Transcend is proud to support the ISF & ISLA Securities Finance Webinar Series

July 2020

Case Study

Learn how a G-SIB achieved global inventory optimization with a centralized funding platform

Brochure

Read more about Transcend and our solutions to optimize global inventory, funding and liquidity

Article

The Next Level in Building Data-Driven Operational Efficiency

About Transcend

Transcend is an innovative financial technology firm specializing in optimization across global inventory, funding and liquidity. By aggregating and harmonizing disparate data across business silos, Transcend provides one truly connected front-to-back, global platform. Our advantage is our innovative technology for Securities Finance, Derivatives and Treasury businesses, and our experienced people. Our analytics solutions include Inventory Management, Sources and Uses, Transfer Pricing, Intraday Liquidity and more, empowering users to make better, more intelligent decisions.

Enhanced business intelligence is only half the journey. We believe that algorithmic-driven optimization should be a cornerstone for every capital markets business, whether applied to a narrow scope such as tri-party collateral optimization or incorporating bi-lateral as well as OTC driven requirements for a particular business or the entire firm. We are the strategic technology partner for tomorrow's financial services enterprise.



G-SIB achieves global inventory optimization with centralized funding platform

A global, US-based bank recognized the opportunity to improve and coordinate collateral management and funding processes across business areas to drive better firm-wide benefits. To increase efficiencies, and reduce funding costs and compliance risk, the firm pursued a centralized funding and collateral optimization strategy. To realize these strategic goals, they turned to the modular solutions and expertise from Transcend.

BUSINESS CHALLENGE

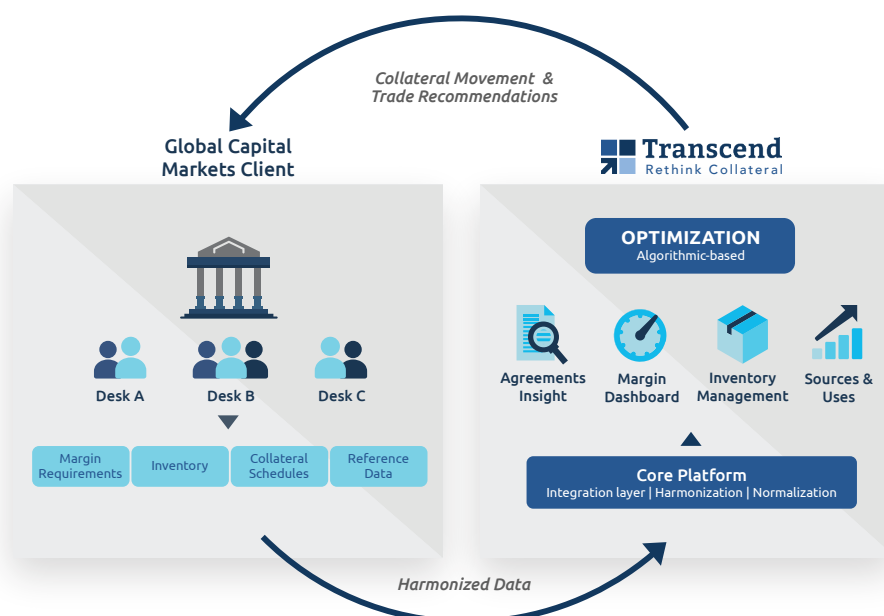
- Business units lacked visibility and access to each other's collateral and eligibility data, thus unable to coordinate superior funding opportunities and inventory optimization
- Difficulty in tracking actual sources and uses of collateral across businesses lines made allocation decisions challenging
- Inefficient operational processes were manually intensive and increased execution risk

Given these challenges and the regulatory and market pressures, it was time to rethink the firm's approach and develop a centralized funding and collateral strategy. Internal development would be a huge undertaking, and come with higher costs and coordination challenges. Thus, the team chose a holistic, enterprise-wide solution to complement, not disrupt, their existing technology and infrastructure.

THE TRANSCEND SOLUTION

The bank selected Transcend to integrate modules—**Inventory Management, Agreements Insight, Margin Dashboard, Sources and Uses, and Collateral Optimization**—to power better economic decisions and automate workflows with some clear objectives:

- Optimizing the firm's global inventory in one place
- Deploying smart algorithms to drive collateral and trade allocations, maximizing financial resources and streamlining operational capacity
- Consolidating collateral, agreements, schedules, trades, reference data and more in real-time for all users, from front-to-back office



“Linking sources and uses of collateral is driving better, more coordinated allocation and funding decisions across the firm, which in turn is increasing liquidity.”



RESULTS

The global bank reduced costs and increased liquidity through its centralized optimization strategy. It will gain further ROI as it scales scope and capabilities.

The firm has gained new insights and automated functions—saving valuable staff time, improving collateral decisions and reducing costs. Buying vs. building a holistic, centralized solution helped align the organization with the strategic objectives and deploy an advanced, scalable framework to execute the program better, cheaper and faster.

“Transcend provides modular technology that works seamlessly with existing infrastructure to resolve collateral, funding and liquidity optimization challenges.”



KEY BENEFITS

The Transcend solution empowered the entire team, from front-to-back and across businesses, with advanced capabilities, including:

- Substantially reducing overall collateral funding costs
- Managing the firm’s securities assets and algorithm-driven workflows in ONE place
- Tracking collateral sources against uses to coordinate funding decisions, and allocating costs accurately to analyze efficiency of resources
- Better upgrade/downgrade decisions through Transcend’s “transformation services” to ensure use of the cheapest-to-deliver collateral
- Streamlining compliant RRP reporting with harmonized data

ABOUT TRANSCEND

We believe in providing what you need – not more or less. Our modules can be installed together, or in a component-based approach that delivers tactical results to drive short-term needs and performance, while also building the foundation of your future strategic goals. Global firms trust the Transcend team for its deep industry experience and expertise to help optimize collateral, liquidity and funding.

The background of the slide features a conceptual image of a hand holding a glowing globe. The globe is covered in a network of blue and white lines and dots, suggesting a global or digital network. The hand is positioned on the right side, with fingers wrapped around the globe. The overall color palette is dominated by deep blues, with bright yellow and white highlights from the glowing globe and network nodes.

 **Optimize collateral,
liquidity and funding**

Rethink Collateral

Transcend streamlines liquidity and collateral management to optimize firm-wide resources.

Why does this matter? Today's firms continue to face shifting market structures, increased competition and multiple complex regulations that put pressure on resources and bottom-lines. A lack of integrated technology for managing firm-wide collateral has prevented businesses from accessing the information and resources needed to perform optimally. The outcome is

constrained liquidity and subpar results. Transcend is helping firms redefine how they think about collateral. Our innovative, modular technology keeps pace with the speed of change, both in-house and across today's markets, enabling you to harness real-time data, collateral and liquidity to achieve optimization within a business or at an enterprise level.

Drive Better Business Outcomes

Transcend addresses the challenges facing business units while unlocking the opportunity to optimize collateral firm-wide.



Treasury & Capital Markets

Streamline enterprise-wide, real-time analysis of collateral and cash, and address funding challenges with confidence



Derivatives & FCMs

Optimize derivatives margining across institutions, central counterparties and clients, while increasing transparency



Securities Finance & Prime Brokerage

Harmonize disparate datasets to compare and analyze client and counterparty relationships. Improve funding, capital and liquidity allocation for any asset class.



Operations, Regulatory & Risk

Lower operational risk and drive greater regulatory compliance with transparent, real-time access to a wide range of critical data



Modular Solutions to Match Your Needs

Transcend's technology integrates seamlessly with existing infrastructure – even across operational silos – and is scalable to ensure a “just right” solution. Implementation with customized technology or third-party systems is equally quick, avoiding what used to be years of installation and costly maintenance.

So retain control and differentiation by integrating your proprietary analytics and algorithms on a new, more efficient solution. Or simply use our technology to drive superior performance. Whether standalone or connected across the enterprise, your firm will benefit from our modular solutions.

OPTIMIZE



Inventory
Management



Agreements
Insight



Margin
Dashboard



Collateral
Optimization

ANALYZE



Sources &
Uses



Transfer
Pricing

COMPLY



Intraday Liquidity
Monitoring



Collateral
Validation



Stress
Forecasting



QFC
Recordkeeping

Core Platform

Integration Layer / Harmonized Data Models / Customized Dashboards



“The Transcend team truly understands the real-world data and complexities around financing, collateral and liquidity facing banks today.”


– **Head of Investor Services**, Global Tier 1 Bank

“Our strategic vision for efficient collateral and liquidity management is built around Transcend’s platform, within each business and across our enterprise.”

– **Head of Investor Services**, Global Tier 1 Bank

“We selected Transcend to support our centralized funding desk. Their unique, innovative technology and comprehensive functionality not only helps us meet our current complex objectives, it will also scale with us as our business needs grow.”

– **Senior Managing Director**, Global Bank



Transcend delivers the industry’s most trusted, scalable solution for funding and collateral optimization. By connecting and harmonizing real-time data, collateral and liquidity, Transcend helps clients improve performance while reducing risk and expense.

The Next Level in Building Data-Driven Operational Efficiency

The next level of operational efficiency will incorporate a deep view of connected data within organizations that will yield better efficiencies and optimization of capital through firm-wide decision making. Taking automated action on those decisions for Straight-through Processing will enable firms to achieve the desired efficiencies in a scalable manner. Getting there has its challenges, however.

In this article we look at why many in the industry are embarking on this more sophisticated approach to operational efficiency, and identify three key strategies for ensuring success.

BY BIMAL KADIKAR, CEO, TRANSCEND



Data is at the heart of all new operations-focused ideas in the last few years. Unfortunately, while they all promise new levels of cost efficiencies, few have been implemented. This is because financial institutions are still grappling with how best to identify and execute on some of the foundational frameworks that are required to make a data-driven strategy worthwhile and effective.

Regulatory compliance has been the focus of operations for the past decade, but attention is now shifting to collateral, funding, financing and trading. Firms are asking how they can best implement scalable yet practical frameworks, and pivot from a business-specific focus to a front-to-back view. This includes examining regulatory initiatives to make global reporting easier and more efficient, connecting internal and external data, creating singular views of data and aggregating global inventory for algorithmic optimization.

FEATURE

What greater efficiency achieves

➔ Data-driven operational efficiency saves real money and derisks collateral decision making, improves intraday liquidity and helps consolidate collateral-related operations.

There are tangible reasons to push towards enhanced operational efficiency, including better collateral optimization, migrating intraday liquidity management off spreadsheets and improving transfer pricing. All of these goals are linked but may be difficult to execute simultaneously given the disparate threads of data management across the organization.

Collateral optimization techniques have been used for over a decade now, from simple sorting tools to complex multivariable analytics. In reality though, good lists do not always translate into the right action items. There are solid reasons for this: international and domestic teams may not be in sync; the teams creating the list

may lack crucial data; custodian banks may not always communicate well; firms may struggle with acting in a time-effective manner; or they may simply apply human judgement over a machine's output. While anyone would say that Straight-through Processing (STP) is the best operating environment, this may not always be achievable. As a result, traditional, inefficient and manual movements of collateral have led to increased costs.

At Transcend, while we once thought that the problem of intraday liquidity monitoring had been resolved, more recently we've found that most firms continue to rely on patchwork solutions. In reality this is a next day process carried out via spreadsheets or phone calls to operations teams. The initial response to major regulatory intervention, notably BCBS 248, was to implement any solution that would deliver on the basic regulatory requirement. However, spreadsheets are inadequate to meet the spirit and goals

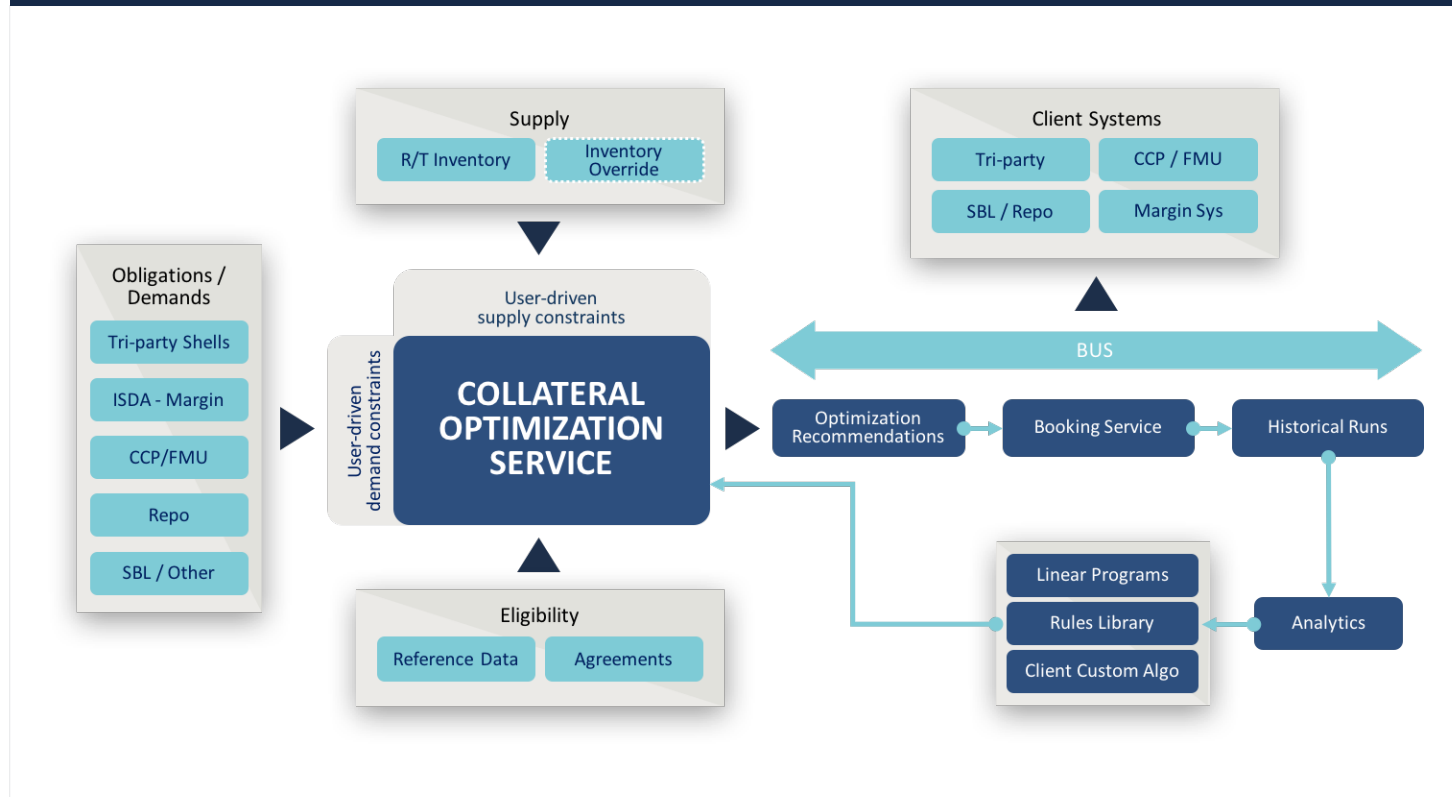
of the regulations even though they may meet the letter of the rule. Further, many intraday liquidity monitoring tools focus on cash only and ignore collateral. A holistic data-based operations strategy, reliant on real-time cash and securities data, makes the job much easier and more accurate.

Three strategies for next level operational excellence

➔ Executing optimized decisions requires a framework to normalize often competing costs across the enterprise. We identify transparency in real-time, analytics and optimization, then automating actions, as critical for achieving operational excellence.

First, real-time visibility. The ability to achieve transparency in real-time is built on sound fundamentals. Real-time visibility on inventory, obligations, constraints and agreements, and the normalization of cost elements across the firm are needed for

Exhibit 1: Connected data unifies the collateral view



accurate decision making. While some of these may appear to be common sense, they are also among the harder tasks to accomplish. Each requires a robust view of data across the organization that may or may not be readily available.

The most critical step in moving towards efficiency is consolidating inventory management. It is also the first thing that buy- and sell-side firms should pay attention to when getting serious about collateral and liquidity management. Unfortunately, it often only gets the right amount of attention when it is too late. The ideal solution is to aggregate all pockets of inventory into one pool so traders and allocators of collateral can share information from a single source. In practice, firms are often still working on fragmented data pools across multiple geographies. Achieving harmonized data aggregation across the enterprise yields tangible benefits, including: better coordinated trading decisions, pricing across business siloes, efficient and smarter liquidity risk management, coordination of cash and securities flows, enterprise-wide client visibility resulting in better resource allocations, and reduced technology and operations costs through a unified global framework.

Second, analytics and optimization platform. Firms should be able to perform comprehensive collateral analytics and optimization strategies from a single technology platform and distribute the recommendations across a variety of downstream platforms, including bilateral transactions, financing, tri-party, CCP and internal transfer pricing. It is not enough to simply know that \$1,000,000 of corporate bonds is in inventory; it is also necessary to know if those bonds are third-party collateral, can they be posted, who owns the bonds (firm or customer), what their value in the collateral markets is, what is the expected holding period, and what covenants or corporate actions might impact the decision of how to use the inventory. Factors such as asset quality, haircut requirements and tenor mismatch costs are attributes that can be included in this analysis and optimization algorithms. This is no small

endeavor, but the end result is a robust and dynamic analytics and optimization platform that identifies deep efficiencies across the firm.

Lastly, automation. The right optimization platform creates recommended actions across trading and collateral allocations for securities finance and derivatives activities. This spans counterparties and collateral receivers across bilateral, CCP and tri-party relationships. These recommended actions need to be booked automatically to achieve the desired efficiencies. Identification of the recommended actions is an important step, but automated execution is the most critical capability to achieve operational ease and scale in an increasingly complex global environment.

Each firm will need to make its own decisions about the scope of products and businesses they wish to automate. For some firms this will be all General Collateral transactions, while at others a range of more complex tasks can be automated with the right data and organizational structure. There will always be a human at the end of the line for key decisions and supervision but

the more firms can automate, the more they will be able to scale, respond to complexity, reduce errors and ultimately improve short and long term financial performance.

At Transcend, we use the term “connected data” to describe the framework that firms need to truly optimize global collateral and inventory (see Exhibit 1). Achieving this goal is both a technology challenge and a mindset challenge: gaining meaningful insight on global inventory requires a more holistic view of what collateral is supposed to do for the firm and how to get there than has been the norm.

The end-result of connected data is to enable information sharing, comprehensive analytics and optimization, and the ability to execute automated decision making. This is how firms can generate the right inputs and best allocate global inventory across global collateral obligations, as well as significantly improve their approach to global regulatory reporting requirements. This is not an easy task; but it is achievable and the results can generate powerful differentiation in a competitive marketplace.



Bimal Kadikar is the founder and CEO of Transcend, a technology firm dedicated to helping financial institutions optimize collateral and liquidity enterprise-wide to increase efficiency, reduce risk and drive greater business performance. Bimal leads Transcend's business and product strategies, working closely with major global banks to implement modular, innovative technology solutions that connect the front-to-back office for sharper funding and capital decisions.

Bimal previously served in several senior roles at Citi Capital Markets Technology Division. He also led the global technology organization for Citi's Fixed Income, Currencies and Commodities (FICC) businesses, and built the Prime Finance, Futures & OTC Clearing technology platform, expanding Citi's growth. Bimal spearheaded Citi's firm-wide post-2008 crisis strategy for Collateral, Liquidity and Margin, leading to the inspiration for founding Transcend's next-generation collateral and liquidity management solutions.



Optimize inventory, liquidity and funding in real-time

Take advantage of our powerful, easy-to-integrate technology to drive optimization, funding efficiency and cost savings across the enterprise.

Optimize

Global Inventory Management • Agreements Insights
Margin Dashboard • Collateral/Trade Optimization

Analyze

Sources & Uses • Transfer Pricing • Business Dashboards

Comply

Intraday Liquidity • Collateral Validation
Stress Forecasting • Regulatory Reporting

