

# Connectivity

Standards set to enhance collateral management



Regulatory changes in the over-the-counter derivatives space have seen firms scrambling to find solutions that will ensure they are prepared to manage the transition. As ever-larger transaction volumes place higher demands on firms' transaction processing infrastructure, the need for connectivity and collaboration between systems therefore becomes even more important, according to [SmartStream Technologies](#)

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To accommodate new initial margin (IM) requirements, straight-through processing (STP) specialist SmartStream believes standardisation is an important step in the industry's push towards automation – allowing for direct connectivity, which would lessen the need for data translation, and reducing the need for reconciliations, thereby shrinking workloads. Initiatives such as the International Swaps and Derivatives Association's common domain model and standard IM model (Simm) are easing the regulatory burden, which might otherwise increase costs.

Jason Ang, program manager for collateral management at SmartStream, says this also comes with a push from customers for reduced costs, lower risks and faster processing, which are enabled by SmartStream Technology's ability to connect internal and external systems – including everything from cash management and corporate actions to collateral management. "What we're looking at when developing our product offering is that connectivity is key," he says.



**"[SmartStream is] creating these public APIs, because that's how we get connectivity. This connected way to access systems allows us to partner with other people to then also get data from them"**

Jason Ang, SmartStream Technologies

### Partnerships that pay off

For front-to-back Simm calculations, including generation of sensitivities, SmartStream has partnered with analytics provider Cassini Systems – the outcome of which is a front-to-back solution for regulatory IM. The partnership also includes optimisation and pre-trade IM calculation, reducing the costs of collateral funding and minimising the number of decisions that need to be made by users.

SmartStream also connects with AcadiaSoft MarginSphere for secure communication of margin calls and collateral movements. This facilitates automatic booking of collateral with greater STP potential.

Such partnerships enhance overall connectivity while resulting in fewer human-induced errors and lower demands for manpower – which support SmartStream's strategy of focusing on the needs of clients who will be affected by phases four and five of the new margin requirements.

These newly in-scope counterparties will need a collateral management system that can handle numerous new credit support annexes. With many existing clients already captured by phases 1–3, the transaction lifecycle management (TLM) collateral management offering has been thoroughly stress-tested and proven fit for purpose to handle posting and receiving of IM, and includes robust rules for eligibility, wrong-way risk and concentration risk.

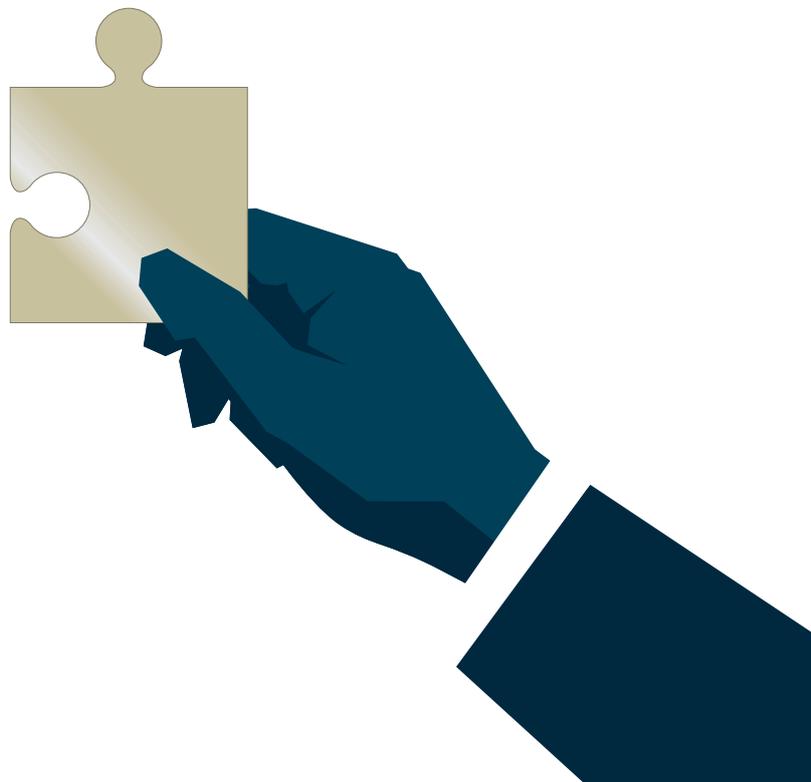
### Set to connect for the future

With an open solution and public application programming interfaces (APIs) on offer, firms can explore connectivity options. Ang compares the model to how tech companies in the music and entertainment sphere have built platforms that become exponentially more useful and value-adding through open-ended partnerships, while maintaining greater robustness than a proprietary-only system, as software updates will be more seamlessly cascaded with each new version.

"We're taking a page from that, and creating these public APIs, because that's how we get connectivity," says Ang. "This connected way to access systems allows us to partner with other people to then also get data from them."

To further ease the growing pains of margining for counterparties coming into scope, the company's TLM Collateral OnDemand offers all the benefits of the current solution, without the hardware overhead. Provided through a hosted environment, these clients will have access to all of the vendor's existing collateral management modules in an accessible and affordable turnkey solution. One unique characteristic of SmartStream's TLM Collateral OnDemand offering is that it does not commingle client data. Each client is provided with its own distinct isolated environment.

With many counterparties facing uncertainty on whether they fall under the new regulations, SmartStream believes a fully capable, connected and rapidly deployable system will relieve pressure on the industry and its market participants.



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