

Case Study

Customised collateral management to keep pace with regulatory and technological change

As a result of infrastructure changes and regulatory guidelines, Australian firm Suncorp needed to upgrade its collateral management system to meet industry best practices



Suncorp Group includes leading general insurance, banking, life insurance and superannuation brands in Australia and New Zealand. The Group has 14,500 employees and relationships with nine million customers, and is top 20 ASX-listed with \$96 billion in assets.

Business situation

Suncorp needed to upgrade its existing collateral management system to keep pace with technology infrastructure changes as well as developments in the regulatory and business environments. The bank required a vendor solution that could respond pro-actively and deliver on the customisations it required.

Solution

TLM® Collateral Management provided a comprehensive, automated solution that helped Suncorp streamline and automate processes whilst reducing operational and credit risks.

Key benefits

- ▶ Anticipation and mitigation of operational and credit risk, through allowing risk officers and collateral managers to pro-actively plan risk mitigation strategies
- ▶ Reduced regulatory capital charges
- ▶ Intuitive interface for enhanced decision making
- ▶ Customised user interfaces
- ▶ Integration of upstream and downstream functions
- ▶ Streamlined back-office workflow – automation of key tasks associated with margin call processing

Suncorp adopted automated collateral management systems almost a decade ago, but the bank needed a solution that was able to respond to regulatory and business developments, as well as changes to its own infrastructure. The existing system required new features and functionality that were critical to keep pace with these changes.

End-to-end automation

SmartStream's TLM Collateral Management solution has brought a considerable amount of automation and standardisation to Suncorp. Scheduled data imports allow the bank to perform data quality checks on key information such as legal agreements, front office portfolios, market data and collateral positions.

The bank fully recognised the value of workflow automation in collateral management. The TLM Collateral Management solution was highly intuitive and offered advanced features such as reviewing, tracking and processing work items. Practically all of Suncorp's key processing in collateral management – collateral payments/substitutions, interest distributions, legal agreement changes and margin calls – are now automated, with a view to industry best practices and standard audit and control requirements.

The implementation of straight-through-processing for collateral management, connecting the upstream and downstream interfaces, allowed the bank to integrate its front, middle and back office systems. In addition to the highly streamlined experience in collateral movements, Suncorp is now better placed to scale up its technology infrastructure without the corresponding increases in costs or investment in manpower.

Keeping pace with regulatory changes

Regulatory developments have required financial institutions to ensure strict management of operational and credit risks, which is one of the reasons Suncorp engaged SmartStream. The upgrade to TLM Collateral Management assists the bank in meeting its regulatory obligations.

Regulations such as Basel III allow for increased coverage of the types of collateral to which capital adequacy haircuts can be applied. Financial institutions can take advantage of this allowance, and obtain regulatory capital benefits when using collateral. TLM Collateral Management allows Suncorp to benefit from lower capital charges.

A highly customised solution

The solution gives collateral managers timely access to collateral-based information, allowing them to make decisions on risk management quickly. SmartStream provided customisations in the following areas:

- ▶ The provision of an interface extractor for sending collateral/interest movements to Suncorp source systems
- ▶ Custom margin notices for close of business date to consider specific regional holiday calendars
- ▶ Custom reports such as margin summary and EOD credit summary

Having the system in place means Suncorp is now well positioned to meet future regulatory requirements. TLM Collateral Management's flexibility allows for further customisations, which is vitally important with the ever-changing regulatory needs.

Credit and operational risk management, aided by enhanced transparency

As one of the first collateral management systems designed, and with a leading market dominance of more than 70 installed bases around the globe, TLM Collateral Management is a proven, yet adaptable solution. For example, it is able to cater to changes in the credit rating of a counterparty or institution. It allows Suncorp to undertake scenario planning and better optimise collateral inventory. The bank is able to view a consolidated inventory against margin calls received from clients and select the collateral accordingly.

The solution also enhances overall transparency, providing a consistent method of accurately capturing data and documents from all users across the trading book. A workflow in the system allows for collateral managers to automatically identify, and process, margin call disputes, providing management with oversight of the data at a very granular level. Tracking of disputes can be done according to age, amount, and cause, further supported by a reconciliation engine that is able to quickly match portfolios, highlighting valuation and booking differences.

Suncorp management is now able to access a full suite of standardised reports, providing a broad spectrum of coverage for collateral information, including exposures, collateral inventory, workflow, interest, legal agreements, data quality and regulatory reporting. Rigorous tracking allows the bank to quickly identify and resolve problems.

About SmartStream

SmartStream provides Transaction Lifecycle Management (TLM®) solutions and Managed Services to dramatically transform the middle and back-office operations of financial institutions. Over 1,500 clients, including more than 70 of the World's top 100 banks, 8 of the top 10 asset managers, and 8 of the top 10 custodians rely on SmartStream's solutions.

SmartStream delivers greater efficiency, automation and control to critical post trade operations including: Reference Data Operations, Trade Process Management, Confirmations and

Reconciliation Management, Corporate Actions Processing, Fees and Expense Management, Collateral Management, Cash & Liquidity Management and Compliance Solutions. Used independently or as a suite of solutions and services, clients gain a lower cost-per-transaction whilst reducing operational risk, aiding compliance and improving customer service levels.

For more information about SmartStream visit:
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