

## Factsheet

# Are you ready for the final phase of the Uncleared Margin Rules?

*“The requirement to post initial margin for non-cleared derivatives was one of the main post-financial crisis reforms”*

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**Implementation of the Rules will be a challenge for most organizations.**

**The main recommendation Finastra would have today is to begin adapting the OTC uncleared derivatives portfolio operations now.**

In response to the global financial crisis of 2008-2009, a general framework was developed by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO), to regulate margin requirements for non-centrally cleared derivatives. These rules are commonly referred to as the Uncleared Margin Rules (UMR).

The rollout of UMR was initially split into five phases, which was subsequently amended to six phases, with the final phase being delayed and split in two. Implementation was staggered by assessing firms' average sum of total outstanding amount of uncleared derivatives during a specific period, also known as Average Aggregate Notional Amount (AANA).

## Main Challenges

Firms not already captured need to calculate their AANA during the upcoming observation period of March through May 2022, to assess if they are in scope for Phase 6 on 01 September 2022.

If firms fall into scope, they will need to decide how to handle the following:

- IM calculation method** – SIMM or GRID
- Threshold monitoring** – only need to exchange collateral where IM calculation breaches agreed threshold
- Multiple margin calls** – upon breaching threshold, firms will need to agree both a pledgor and secured call with their counterparts
- Collateral usage** – securities must be priced and used as collateral, cash is effectively ineligible
- Collateral segregation and instruction** – pledgor and secured assets must be held in segregated accounts at a third-party custodian or triparty agent

Implementation of the Rules will be a challenge for many organizations, there are new processes, features, functions and connectivity that needs to be established. Without a fit for purpose solution firms will be left with highly manual operational activities that are both time-consuming and risk generating.



## A complete solution for Uncleared Margin Rules

Finastra and CloudMargin have partnered to meet all of your UMR needs.

### Checklist

### Overview

#### Calculate AANA

The first step in your UMR journey is assessing where in the AANA range your firm falls, and how close you may be to having to apply the UMR IM requirements.

#### Calculate Risk Sensitivities and generate CRIF

Your Finastra trading platform has all the necessary data to generate risk sensitivities and to generate the CRIF files. CloudMargin generates risk sensitivities and submits the CRIF files to Acadia IM Exposure Manager for reconciliation.

#### Calculate Initial Margin via SIMM and GRID methodology

CloudMargin calculates SIMM utilizing generated risk sensitivities and latest version of the ISDA SIMM model. SIMM is the preferred method of calculating IM over Grid (or schedule methodology) as it confers some advantages, such as being able to recognize hedging, and netting.

#### Threshold Monitoring analytics

You can set thresholds, warning thresholds and exposures to track them in real time. You can also tailor custom dashboards and schedule reporting as required.

#### Initial Margin collateral workflow

CloudMargin provides a fully automated workflow to electronically agree pledgor and secured margin calls with your counterparties.

#### Securities collateral

Using your core Finastra data, CloudMargin can price collateral inventory, automatically check eligibility, haircut application and allocations can be optimized by client.

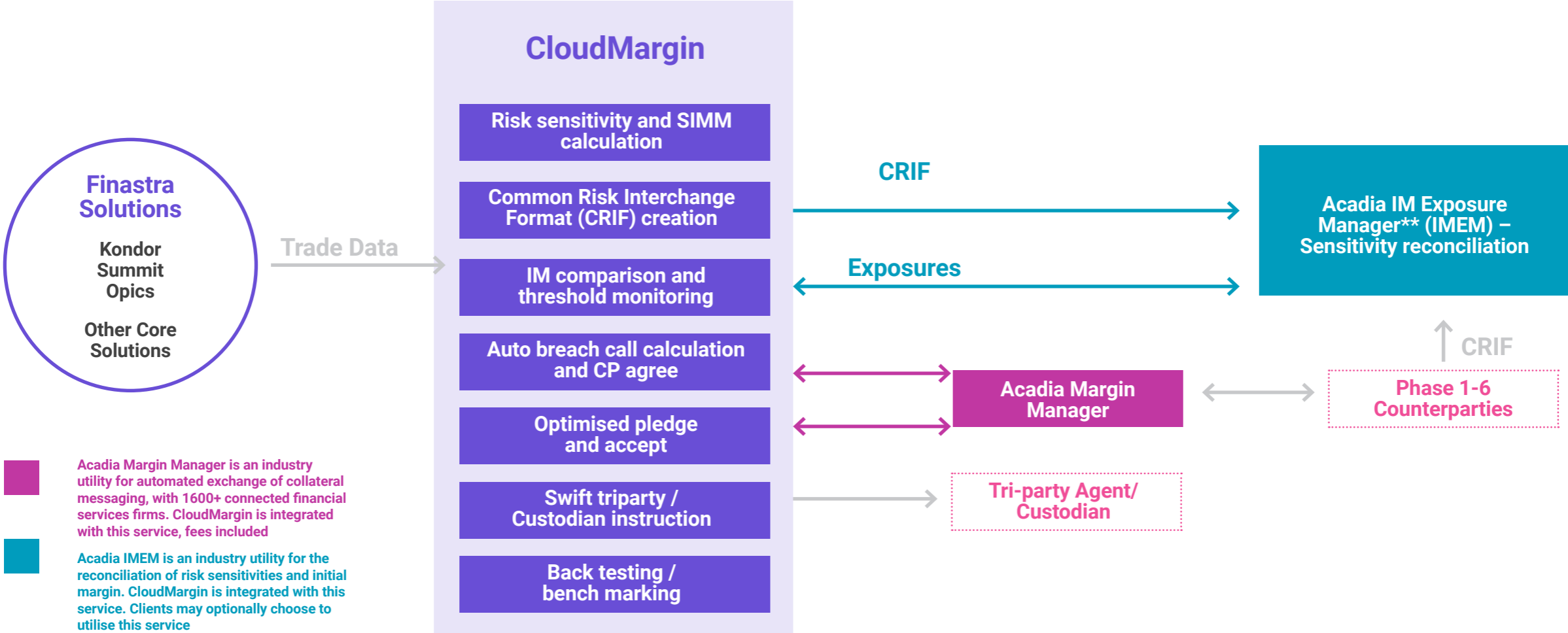
#### Connectivity with Custodians and Triparty Agents via SWIFT

CloudMargin provides connectivity to Triparty Agents and Third-Party Custodians to physically settle initial margin obligations as well as connectivity to DTCC MTU and other settlement service providers.

#### Perform Initial Margin backtesting

CloudMargin provides the option to run dynamic backtesting and produce a time series output comparison report.

# Initial Margin workflow and out-of-the-box market connectivity



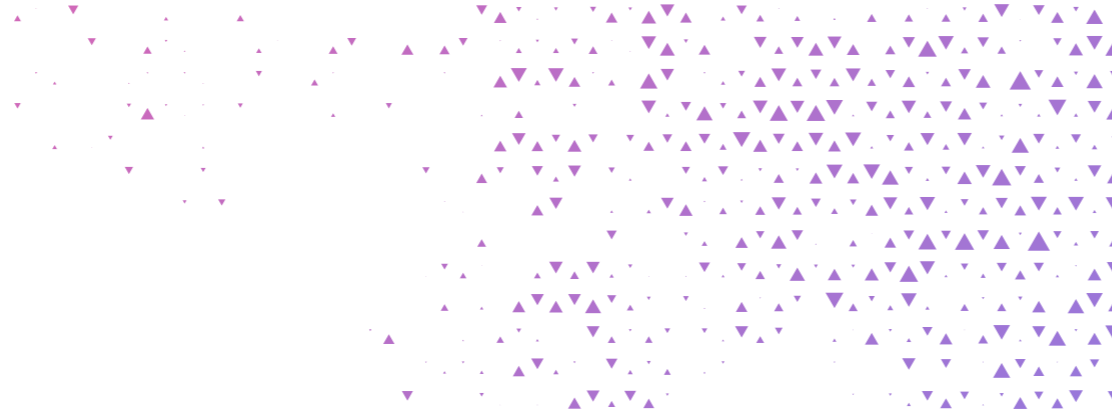
Acadia Margin Manager is an industry utility for automated exchange of collateral messaging, with 1600+ connected financial services firms. CloudMargin is integrated with this service, fees included

Acadia IMEM is an industry utility for the reconciliation of risk sensitivities and initial margin. CloudMargin is integrated with this service. Clients may optionally choose to utilise this service



## Benefits Finastra offers with CloudMargin

- **No client build** – CloudMargin is fully integrated with Finastra’s Treasury solutions, Kondor, Opics and Summit, and use the Finastra source system data to support all the initial margin requirements described.
- **Rapid implementation** – CloudMargin has out of the box connectivity with FFDC
- **Nothing to install or upgrade** – CloudMargin is a single instance hosted application with continuous deployment
- **Automation** – CloudMargin has client configurable automation toggles, allowing you to set thresholds and align automation level with risk mitigation strategies.
- **Optimisation** – CloudMargin provides flexible optimisation waterfall for pledging assets.
- **Dispute handling** – CloudMargin allows you to set risk-based tolerances for automated partial agreement, greatly reducing manual intervention. This is very important as the industry average dispute rate for margin calls is more than 25%. Setting counterparty-appropriate tolerances, firms can reduce time spent managing margin disputes by up to 40%.
- **Customisable reporting** – CloudMargin is provided with a fully flexible reporting suite allowing firms to build, schedule and display reports as dashboards in real-time.
- **Connectivity** – CloudMargin has its own SWIFT gateway and is connected to ~60 global custodians and triparty agents
- **Centralise** – CloudMargin can handle a clients full collateral universe, utilize the service for initial margin only and consolidate all activity over time
- **ISDA SIMM certified** – CloudMargin is integrated with ISDA SIMM certified vendors to deliver an end-to-end initial margin solution



### About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at [finastra.com](https://finastra.com)

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