

The background of the entire page is a photograph of modern skyscrapers. The buildings are covered in glass and steel, reflecting the sky. The perspective is looking up at the buildings, making them appear to converge towards the top of the frame. The color palette is dominated by blues and greys, with a purple overlay on the left side where the text is located.

Post-trade liquidity management

A real-time change for the better

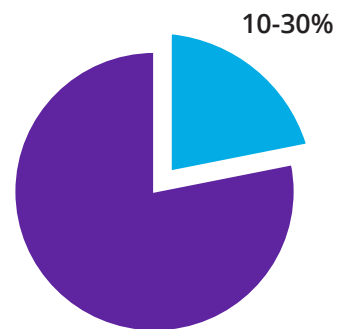
business insight

from Fintego— global leaders in
treasury

Compelling financial drivers for change...

Post-trade processes — back- and middle-office procedures that facilitate the completion of trades — have grown organically over the years, serving up a patchwork of legacy systems, infrastructures and workflow planners. The ensuing jumble is complicated, expensive and jeopardizes operational flexibility.

For instance, data is not necessarily graded consistently and can be stored in a multitude of systems, which demand continual reconciliation, increasing cost and the risk of errors. On one hand, inefficiencies in post-trade operations present inherent risks and, on the other, the encouraging prospect of reform.



Funding costs equate to 10-30%

Funding costs account for between 10% and 30% of a typical bank's liquidity reserves:



Inefficient end-of-day sweeping of long positions and covering of shorts



Large intraday liquidity buffers, sized “just in case” to cope with worse-case intraday spikes



Expensive funding-related credit lines — both the cost of going overdrawn and the need to prefund accounts to avoid going short — and collateral required to secure those credit lines



Opportunity cost of the credit risk of long balances held at correspondents

Inadequate funding-related “P&L explain” insights have further consequences

The complex nature of tracing and attributing the motives behind cash and security movements can make it difficult, even impossible, to trace funding costs back to products, clients, business units or legal entities.

Incomplete and stale insights of the “all-in” profitability of products and services impede funds transfer pricing

(FTP) frameworks and undermine front-line commercial decisions such as pricing and new product approvals.

This prevents the development of new transaction banking services like charging clients for prioritized payments, or providing powerful Liquidity-Insights-as-a-Service to clients.

... coupled with an urgent requirement to demonstrate regulatory compliance...

BCBS 248 was globally mandated in December 2019

BCBS 248

This requires banks to demonstrate to regulators an understanding of intraday positions and identify peak balances monthly

The purpose is to prove to regulators that the bank holds intraday liquidity buffers that are large enough to survive a worst-case overdraft situation caused by a sudden withdrawal of uncommitted intraday credit facilities

Global regulators have begun applying more pressure to demonstrate monitoring and reporting capabilities, and this pressure will intensify over time

... and compounded by increasingly sophisticated portfolio management...

Between 2008 and 2010, the market saw over 200 bps (basis point) moves in funding costs and central banks reducing interest rates, which resulted in intraday and overnight funding, and collateral calls in the \$10+ billions range.

Consolidated group treasury reporting and multiyear, forward-looking analytics are central to the portfolio hedging of market-risk sensitivities, affecting both P&L costs as well as the future capital and funding needs to cover short- and long-term obligations.

Analytical models will assist in managing:

TLAC/unsecured bond issuance

Potential risk of insufficient funding within defined time period and funding envelopes

Funding sensitivity on a forward-looking basis, accounting for the “stickiness” of collateral balances

Cost of funding for internal recharging — the impact of cost/benefit on all new trades for funding adjustment (FVA)

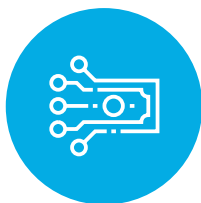
To fix, in advance, the potential funding costs associated with various asset classes, for example: Collateralized derivatives, loans outside the treasury base currency

... require solid operational foundations which, in turn, deliver tangible benefits.

Liquidity management — key functional capabilities



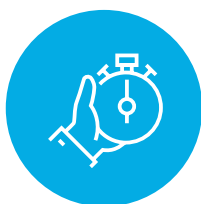
Cash and securities position forecasting and funding based on real-time movements and balances give an immediate insight into current and future positions, ensuring sufficient same-day and near-term liquidity. In turn, this real-time accuracy reduces both the frequency and size of funding swings, and allows funding cut-off deadlines to be pushed back, delivering valuable benefit to upstream business units.



Accurate and up-to-date views of excess currency balances allow efficient intraday swapping into other currencies that close later in the day, pushing deadlines back even further and enabling the establishment of currency-specific, group-wide treasury management centers.



Overdraft spikes can be managed and proactively smoothed with funding control integrated into the payments function, enabling intraday payments to be staggered.



Real-time integrated insights dramatically reduce the likelihood of mishandling a client's time-sensitive payment or releasing payments without proper control.



A consolidated view of the entire correspondent bank network — showing precisely where and how the firm's legal entities operate accounts — enables more rigorous management of the relationships and contracts with correspondent banks.

End-to-end process redesign together with investment in automation and data insights, addresses the significant operational expense of intensive manual activities.

Other industry challenges



Increased regulatory impact

Uncleared margin rules
NSFR/LCR + intraday (BCBS 248)
TLAC issuance
Digital assets



The move to 24/7 trading

Traditional *follow the sun* models are not sufficient to manage the move to “always on” trading venues that require pre-funding or near-real-time settlement



Expansion in trading assets

The introduction of new digital markets brings with it the need for real-time funding of new asset classes and currencies, as well as new settlement venues and digital custodians



Consolidated reporting

Treasury-related activities are becoming more complicated to track in real-time, as asset availability is utilized across more settlement venues and counterparties



Long-term capital forecasting

Increased complexity in assumptions on new business, average tenor, and roll-off by currency, division and product, with the need to include capital estimates as part of forecasting capital TLAC issuance



Advances in technology

Use of advanced tech such as artificial intelligence, smart contract deliveries and migrations to the cloud are not compatible with existing tech platforms, creating time-to-market challenges or suboptimal bespoke solutions



Intraday balance forecasting

Obtaining near-real-time data from custodians and depots is not always possible, increasing the risk on forecasting availability of settlements and substitutions for individual assets



Collateral management

The availability and reuse of collateral is becoming more problematic with increased intraday margin calls and bilateral collateralized arrangements. Complicated by T+ settlement periods



Risk management

Increased settlement failures, buy-ins and fines are by-products of elevated volumes. Need to move away from unsecured intraday credit, due to the impact of BCBS 248 on collateralized credit lines



How can we help?



Actively managing intraday liquidity, rather than just focusing on optimizing the end-of-day position is now, not only **possible** given the latest technology available, but **essential** for banks as well as large corporates.

Fintego empowers many of the world's leading organizations to drive sustainable, measurable business change through digitalization, vendor systems integration, bespoke technology solutions and business process reengineering. Now, to deep experience of global financial services, proven rigor and a highly skilled technical team, we add unmatched expertise in Planixs Realiti®. This makes Fintego the perfect partner to help upgrade your organization to digital liquidity management with Planixs.



The opportunity to **reduce funding costs significantly** and increase **operational efficiencies** is such that the business case for investment in liquidity management capabilities is **compelling** and often **self-funding** — with the platform providing a base for supporting **new client services** and **revenue streams**.

In addition, Fintego has many specialists and a strong foundation in treasury management solutions through our Murex, Calypso, Kondor/Treasury as-a-Service and Temenos/Connected Bank offerings. Also, we engineer bespoke treasury solutions. And now, we're extending our treasury coverage further into the post-trade space by partnering with Planixs, the leading cash and liquidity management solution.

Realiti® gives you intraday control

Planix's Realiti® modular treasury management software helps large banking firms and financial services organizations optimize cash and collateral, gaining real-time liquidity control and ensuring regulatory compliance.

Securing intraday control is critical to the efficient and compliant running of a business. True intraday control

enables a firm to monitor actual account activity and compare it to expected activity, managing any discrepancies and risks that arise, in real time, every minute of every day.

Realiti® is designed and architected to process very high data volumes continually, and provide the instant visibility demanded by user communities.

Key features

- **Rapid deployment** — go live in weeks, not months or years
- **Extract, transform, load (ETL)** — provided to consume any transactional message type
- **Real-time** auto matching approaching 100%
- **Ultra-high performance** — multimillions of transactions per hour. Real-time user views of cash, collateral and liquidity
- **Predictive analytics** and machine learning

Why Realiti®?



Gain true, real-time intraday control



Cost savings on intraday liquidity buffers



Ensure regulatory compliance



More accurate end-of-day funding

Planixs Realiti® services catalog



Intraday liquidity management

Balances, turnover and transactions stored, aggregated and analyzed. Real-time intraday insight with early warning indicators and alerts



Regulatory reporting

Compliance with global regulatory reporting regimes for intraday liquidity. Highly flexible and regularly refreshed



Intraday reconciliation

Real-time auto matching links actual settlements with projected bookings. Funding becomes exception based. Drivers of liquidity usage become clearer — counterparties, clients, products, books



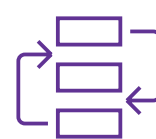
Payment control

Delivers insight into payment processing. Provides monitoring of status and flow rates of outgoing payments. Enables control and throttling of payments



Funding and forecasting

Cash-flow projections analyzed and aggregated into end-of-day projections. Cash ladders, manual adjustments and sweeping. Single combined view of real-time actual and projected activity



Intraday stress modeling

Analytics applied across rich data history in Realiti® databases. “What-if” analysis applied to granular transaction data. Payments/receipts/credit lines/posted collateral modified to model impact of intraday stresses



Intraday balance forecasting

Machine learning uses historical transactions to predict settlement times and probability of failure. Intraday forecasts provide early warning of issues and peaks in intraday liquidity usage



Inventory management

Extends intraday model for cash into securities. Provides forecast and actual intraday positions of securities held in depots. Delivers position management and cash-equivalent balances, including impact of haircuts



Vostro management

Monitors and manages intraday activity across client accounts. Client behavior and use of credit identified. Impact of clients on the firm’s liquidity usage understood

Benefit case: Wide-ranging business impact

Significant and far-reaching business benefit even with only three core Realiti® modules

Treasury

Benefit	Impacted business functions
Reduced manual work (data gathering) increased high-value analysis (advisory) Second order impact to bank's Basel 3 (pillar 2) capital position	FO (treasurer, funding desk), cash/nostro management, liquidity risk management, operational risk management
Complete and correct funding due to completeness of data that is both timely (real-time data consumed) and accurate (elimination of manual processes)	FO (treasurer, funding desk), cash management

Risk and control

Benefit	Impacted business functions
Liquidity management control environment significantly improved (automated real-time data and stressed scenarios) allowing reduction in expensive liquidity buffers	FO (treasurer, funding desk), finance/capital management, liquidity risk management
Overall risk management environment is improved due to: 1. Reduction in manual processing 2. Reduced buffers = reduced exposure 3. More accurate data and better control of environment	Operational risk management, credit risk management, liquidity risk management, cash management, settlements

Regulatory

Benefit	Impacted business functions
Basel 3/BCBS 248 liquidity risk regulatory reporting compliance, robust monitoring controls and tools out of the box Second order impact to bank's Basel 3 (pillar 2) capital position	FO (treasurer), finance/capital management, liquidity risk management, regulatory compliance

COO: Ops and technology

Benefit	Impacted business functions
Latest technology applied, allowing new ways of working (real time versus T+1, removal of silos, etc.). To be implemented by business functions while ensuring ongoing compliance in an evolving regulatory environment, using technology that will keep up with business growth	FO (treasurer, funding desk), cash/nostro management, settlements, liquidity risk management, regulatory compliance, COO/business management, treasury IT

Get in touch

Visit fintego.co.uk or contact financialservices@fintego.co.uk and find out how we can help you deliver tangible business benefits by improving your post-trade liquidity management.

We can also help you realize benefits across your treasury function as partners of the market-leading treasury management systems.

Vendor partners



fintego.co.uk

About Fintego is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.