

Leading Global Banks, Service Providers and Market Infrastructures Create New Hub for End-to-End Margin Processing

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Goal is to facilitate compliance with new margin regulations for non-cleared derivatives effective in 2016

NEW YORK-- (BUSINESS WIRE) --July 07, 2015--

Thirteen major global banks, ICAP plc and market infrastructures The Depository Trust & Clearing Corporation (DTCC) and Euroclear have joined forces with AcadiaSoft, Inc. to solve a vexing industry problem involving margin flows.

Four leading global banks, as well as ICAP, DTCC and Euroclear are making investments in AcadiaSoft, bringing the total bank investors in the company to 13. In turn, AcadiaSoft will link its industry-leading MarginSphere[®] electronic messaging service for OTC derivatives with ICAP TriOptima's triResolve OTC trade reconciliation service and the Margin Transit Utility (MTU) to be operated by the DTCC-Euroclear GlobalCollateral joint venture. The links create an open, seamless, end-to-end margin processing hub for non-cleared derivatives.

BNP Paribas, Citi, Societe Generale and UBS are the new bank investors in AcadiaSoft. They will be joining the existing bank investors: BofA Merrill Lynch, Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley and State Street¹. DTCC and Euroclear are also new investors. ICAP is an existing investor that is increasing its stake in AcadiaSoft.

"We are pleased to partner with our peers and key vendors in the marketplace to foster an industry-wide solution that supports new regulatory requirements and allows us to continue to serve clients efficiently and effectively," said Maurice Tamman, Managing Director and Global Head of Margin and Collateral Operations at Goldman Sachs. "This is the realization of an effort initiated by the industry over a year ago to develop centralized margin processing that allows the seamless integration of third-party services into a hub."

The new hub will provide workflow support for participants to issue and respond to margin calls, compare necessary inputs that include risk factor sensitivities, and enable participants to identify and minimize disputes at the input level before issuing margin calls. It will deliver operational efficiencies and improved risk mitigation processes and avoid considerable in-house proprietary platform adaptation and development costs. It will also reduce costly market fragmentation and drive standardization, transparency and automation where it is currently lacking.

The hub is based on AcadiaSoft's open MarginSphere[®] 2 platform, which accepts standardized interfaces and data formats. Without the need for additional integration, customers can seamlessly connect value-added components and services from third-party vendors, such as margin optimization, CSA negotiation and third-party price/risk factor arbitration services. Going forward, the hub will provide a set of standard services that address regulatory requirements and enable future market efficiencies.

Concurrent with the close of the transaction, Chris Walsh, formerly COO of AcadiaSoft, was appointed the company's new CEO. The former CEO, AcadiaSoft co-founder Craig Welch, has retired.

"By partnering with TriOptima to incorporate dispute resolution and DTCC-Euroclear GlobalCollateral for collateral transfer, we have created a hub for straight-through margin processing industry-wide. And through investments from 13 of the largest derivatives houses, we are assured of significant industry support," said AcadiaSoft CEO Chris Walsh. "This is a true milestone event for the derivatives market."

Regulations around the risk management procedures for counterparties in non-centrally cleared OTC derivatives have been outlined by EMIR (European Market Infrastructure Regulation) and, at an international level, had formed part of the G20 Pittsburgh agreement. These regulations are currently under consultation and expected to be finalized in 2016.

“With the expansion of margin requirements globally, it is more critical than ever to provide robust and cost effective solutions,” said Per Sjoberg, CEO of TriOptima. “Linking TriOptima’s triResolve portfolio matching service with AcadiaSoft’s margin messaging platform brings automation and scalability to the entire margin process. For market participants this facilitates regulatory compliance, while reducing operating costs and decreasing the risk of errors.”

“The joint solution between GlobalCollateral, AcadiaSoft and TriOptima brings together many critical collateral management services, each designed to address industry needs around evolving regulatory requirements and increased collateral management operational burdens,” said Michael C. Bodson, President & CEO, DTCC. “The offering will be a significant step forward in the efficiency of the non-cleared OTC derivative markets.”

“As an open, industry-led market infrastructure committed to ensuring that operational platforms and services keep pace with regulatory intent, we are delighted to be part of this key initiative for the industry,” said Tim Howell, CEO of Euroclear. “The creation of this new open platform reinforces the importance of collaboration across the capital markets to reduce risk, increase transparency and improve operating efficiency for our clients.”

Regulatory changes are further driving the need for a solution to fully automate the margin process. Industry compliance with the margin regulations going into effect in September 2016 will require a fully automated margin process, including calculation and matching of margin, comparison of necessary inputs and agreement of calls and collateral movements. Market participants will be required to improve the quality of their collateral processes and reduce collateral disputes or be subject to substantial new capital requirements. The agreement between AcadiaSoft, TriOptima, and DTCC-Euroclear GlobalCollateral enables electronic, straight through processing of collateral across the industry, making it possible for industry participants to automate and scale their margin processes to meet the challenges of complying with the new regulations.

“When new rules requiring margin for non-cleared derivatives go into effect in 2016, we expect margin volumes to surge above today’s levels,” said Alastair Blackwell, Global Head of Service Operations at Barclays. “With this investment in AcadiaSoft, the industry is supporting a market-wide solution to the operating challenges posed by the new regulations to provide scale, reduce risk and encourage standardization for all participants.”

“With today’s agreement, the major players in the derivatives market have moved forward collectively to dramatically reduce systemic risk in a creative, collaborative and comprehensive manner,” said Howard Edelstein, AcadiaSoft’s lead independent director and Chairman of the Special Board Committee of independent directors that led negotiations with the banking community, ICAP and DTCC/Euroclear. “The solution unveiled today will facilitate compliance with current and future regulatory imperatives and enable seamless STP, making this an extremely important development for the industry.”

Broadhaven acted as financial advisor and Wilmer Hale acted as legal counsel to the Special Board Committee of AcadiaSoft. Intermarket Communications acted as public relations counsel to AcadiaSoft.

About AcadiaSoft, Inc.:

AcadiaSoft, Inc. is a leading industry provider of margin automation for counterparties engaged in collateral management worldwide. Owned in part by several leading financial institutions, AcadiaSoft was founded through the collaboration of these financial institutions to create solutions that support full

implementation of ISDA Collateral Requirements. AcadiaSoft engages Advisory Groups, Best Practice Forums and Working Groups to provide a unique framework for industry collaboration to create efficiencies in the margin call process. MarginSphere[®], AcadiaSoft's industry leading messaging platform, currently services more than 200 organizations, including the top 25 investment banks and industry custodians, processing up to 15,000 margin events daily with an average notional value of approximately \$42 billion. AcadiaSoft is headquartered in Boston with offices in London and New York. For more information, see www.acdiasoft.com.

About TriOptima:

TriOptima is the award-winning provider of post-trade risk management services and infrastructure for OTC derivatives. Focused on reducing costs, eliminating operational and credit risk, improving counterparty exposure management, and reducing systemic risk, TriOptima offers a range of services: triReduce to reduce swap inventory and counterparty risk; triResolve to reconcile OTC derivative portfolios, manage disputes and validate repository data; triBalance to manage cleared and bilateral counterparty risk and triCalculate to measure and analyze counterparty risk.

TriOptima, an ICAP Group company, has offices in London, New York, Singapore, Stockholm, and Tokyo. For more information, visit <http://www.trioptima.com>.

About DTCC-Euroclear GlobalCollateral Limited:

DTCC-Euroclear GlobalCollateral Ltd is a joint-venture between DTCC and Euroclear, two of the world's largest post-trade infrastructures. An open architecture infrastructure designed to streamline collateral processing globally, GlobalCollateral provides collateral solutions for both derivatives and financing activity, delivering transparency, collateral mobility, efficiency and security through two powerful utilities:

- The Margin Transit Utility (MTU): enabling straight-through processing of margin calls, mitigating systemic risk and providing improved liquidity and operational risk management.
- The Collateral Management Utility (CMU): automating collateral management tasks, re-positioning inventory seamlessly across settlement locations, making collateral available wherever and whenever it is needed.

The launch and provision of the Margin Transit Utility and Collateral Management Utility Services remains subject to regulatory approval. For more information, visit www.globalcollateral.net.