

## Collateral Management...

...having moved to the forefront of asset owners and their agents due to the many regulatory and market changes in collateralizations has prompted ISSA to issue a related paper on best practices.

### Scope of ISSA's Report

- Chapter 1: Executive Summary
- Chapter 2: Background and Key Definitions
- Chapter 3 – 5: Best Practices regarding Collateral Protection, Default Management and Customer Communication / Reporting
- Chapter 6: Future Trends in Collateralization
- Chapter 7: Regulatory Overview as it pertains to the European Union
- Chapter 8: Choice of hyperlinks to access current informational resources
- Chapter 9: Working Group Members

### Spotlight Video

Watch Angus Fletcher and Neil Henderson discussing the objectives and findings of the report.



## ISSA Report on Collateral Management

### Best Practices of Collateral Management for Cleared and Bi-laterally Traded Products

ISSA has just published its Report on Collateral Management informing how the many changes in collateralization are creating a new post trade landscape for many ISSA members. It proposes a fair number of best practices relating to the use of assets transferred as collateral. The report can be accessed under [this link](#).

This document has been compiled by ISSA's Working Group «Collateral Management Best Practices» and is targeted towards market intermediaries such as custodian banks, broker dealers, asset managers, issuers, industry associations / groups, market infrastructures and regulators. The Working Group was under the lead of Angus Fletcher, Deutsche Bank, and comprised a team of experts drawn from ISSA member firms and third parties.

### Introduction

Recently - and especially since 2008 - there has been a significant amount of global activity in the form of both legislation and rule making addressing the practice of collateralization in the OTC derivative and secured financing markets. This increases the need for asset owners including their agents to concern themselves with the safety and efficiency of their collateral arrangements.

It has not been ISSA's intent to write yet another paper about Collateral Management as various industry associations have already done so. Rather it has been ISSA's goal to draw on these organizations' valuable work and to adapt their best practice recommendations to the needs of asset owners, investment managers and custodians.

## **Scope of ISSA's Report on Collateral Management**

The report provides in chapter 2 general background information and key definitions on collateralization, in particular as they relate to different models of collateral arrangements.

Chapters 3 to 5 discuss and offer 37 best practice recommendations on issues like

- Collateral protection: Collateral segregation requirements and account structure, use of cash and non-cash collateral and application of initial margin, also known as «independent amount».
- Default management: Operational processes relating to pre-default preparations and post-default activities.
- Customer communication and reporting: Message automation for margin calls, pledge and releases, reports and reconciliation.

Chapter 6 discusses some observations relating to emerging trends in response to the general regulatory reform. It also mentions noteworthy industry initiatives.

Chapter 7 provides in the form of a table a high level summary of provisions in primary legislation, which may have an impact on collateral providers and collateral takers in the European Union.

The report concludes with a choice of hyperlinks that will allow the reader to access current informational sources.

## **ISSA Spotlight Video**

In order to highlight the objectives and major findings of the report, Angus Fletcher of Deutsche Bank and Leader of ISSA's Working Group on Collateral Management discusses the major aspects with Neil Henderson of DTCC and Head of ISSA's Operating Committee.

Follow their dialogue in the video posted under [this link](#).

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