

BNY MELLON PREPS ENHANCED TRI-PARTY REPO AUTO MATCHING



John Vinci

BNY Mellon has rolled out an enhanced version of its automated deal matching capability for tri-party repurchase agreement transactions. As first reported by *WSL* earlier this week, the enhancement was developed as part of the bank's efforts to implement a series of recommendations made last year by the Tri-Party Infrastructure Reform Task Force. The task force was formed following the economic crisis to help make the operational aspect of tri-party repo transactions more efficient and less risky for BNY Mellon and JPMorgan Chase, the clearing banks that perform the function. "This will help eliminate the fire drills operationally that can occur at the end of the night," said **John Vinci**, managing director at BNY Mellon responsible for the broker-dealer services division. JPMorgan released a similar offering earlier this year.

The automated deal matching function will allow both dealers and their buy-side counterparties to submit trade details to BNY Mellon. Typically, the bank only receives details from the dealers about the trade agreement, but the task force's recommendations require both sides to affirm details. Once both sides have submitted instructions, the system will confirm that details match up, and if so, trades will move to settlement. If not, the system will query both parties as to the correct details. "Essentially what will happen is market participants won't be able to settle if their trades are not matched properly," said **John Morik**, managing director for product development of the bank's domestic collateral management service. The buy-side will be able to submit trades using a SWIFT or proprietary message format or choose a vendor to submit the instructions.

The bank will also offer access to the system through its AccessEdge Web portal. The portal can be used to confirm

trade details if they are already submitted, as well as to determine the status and details of the trade, said Morik. The bank will ask its clients to sign new agreements that indicate that both parties need to take action before a trade can be settled, replacing existing agreements that allow BNY Mellon to act on the dealer's instructions. BNY Mellon is working to sign buy-side firms up by the end of August, the deadline set by the taskforce.

Earlier this year, the bank introduced automation into other portions of the process, including adding Auto Collateral Request, which automatically searches for and replaces collateral being used in unmatured deals with cash while allowing dealers to trade the collateral. Auto Collateral Exchange, which automatically searches the dealer's unencumbered collateral to replace cash collateral with securities, was also released but is still being rolled out and should be fully available by August. The August deadlines are designed to allow the industry to move to a 3:30 p.m. unwind time for long- and short-term transactions, Vinci noted. The bank has also already started working on the next piece of the process to capping its credit facility for dealers. The industry has agreed on a 10% max exposure rate but the level is at the bank's discretion, which will require a technical build by the firm, Morik confirmed.

Vinci and Morik said it is hard to quantify the level of risk reduction the industry can reach by implementing these processes but said the changes that have already been made have vastly improved the system. "Some people look at... eight hours of [exposure] reduction as not being quantitative. But the fact that we are reducing the duration of our exposure from 10 hours to two is pretty significant," Morik said.

—Jeanene Timberlake



John Morik