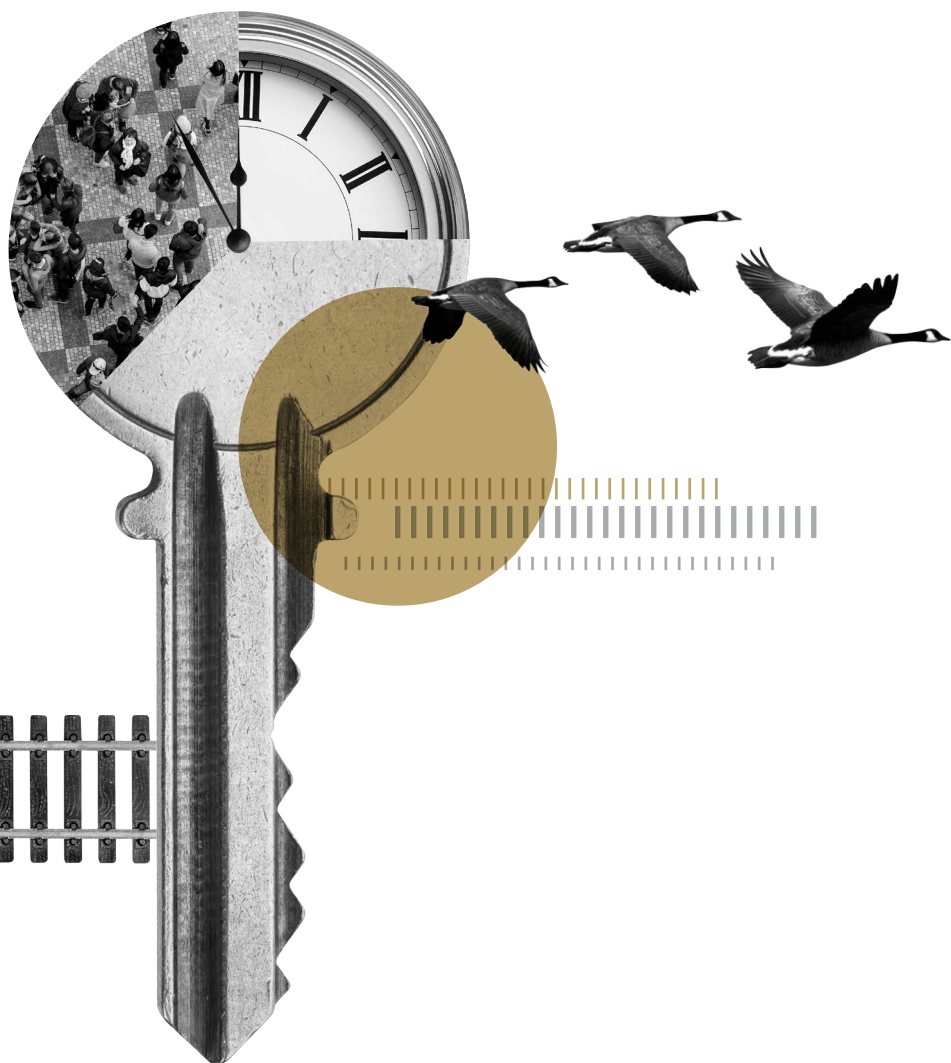


Triparty: An Introduction

MAKING THE MOST OF YOUR ASSETS



BNY MELLON

“In today’s interconnected world, the ability of triparty to seamlessly provide collateral management in repo transactions, securities finance and margin segregation make it an indispensable tool for sophisticated market participants.”

Brian Ruane
CEO, Clearance & Collateral Management, BNY Mellon



What is Triparty?

Triparty is an integrated system that outsources to a triparty agent many of the collateral management processes that underpin financial transactions.

The platform enables you to efficiently centralize how you manage your collateral, opening up a world of new possibilities for utilizing your assets to meet your investment objectives.

The trading activities supported in triparty include:

- Repurchase (repo) agreements
- Securities lending
- Initial margin segregation in non-cleared derivatives

How Triparty Works

In a triparty trade, while the actual trading relationship remains between collateral provider and collateral receiver, many of the collateral management duties around the trade are moved to BNY Mellon as triparty agent.

Common functions a triparty agent will undertake include:

- Calculation of collateral requirements and transmission of margin calls
- Verification of collateral eligibility as margin
- Processing the delivery of collateral to a trade counterparty
- Receipt of pledged collateral and placement in a segregated account
- Ongoing monitoring for collateral sufficiency, including daily mark-to-market
- Collateral substitution
- Reporting to both parties to the trade
- At the maturation or termination of the trade, return of collateral

Triparty Collateral Management

Collateral management sits at the very center of the triparty value proposition and represents an essential function given the pivotal position collateral now occupies across repo, securities finance and non-cleared OTC derivatives markets.

Collateralized trades are subject to daily margin calls and other position maintenance. These ongoing requirements can present a considerable commitment in both time and resources.

Initial Margin Segregation in Triparty

Since 2016, rules have been implemented in markets around the world to impose initial margin requirements on non-cleared OTC derivatives transactions. Triparty enables you to outsource many of the associated operational obligations, including calculating required collateral, margin calls and ongoing position monitoring.

To learn more about the non-cleared margin rules, click [here](#).

To see how initial margin segregation works in triparty, please see page 5.

Repo in Triparty

The repo market has long been the primary venue for market participants to meet their funding needs. One of the most utilized applications of triparty is its capacity to service repo transactions, removing much of the operational burden from this daily process.

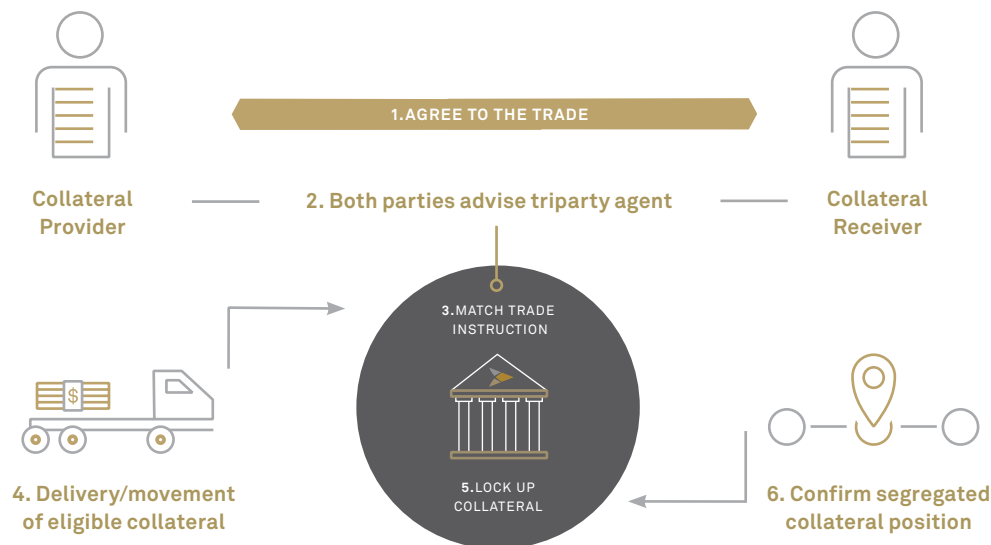
To see how repo works in triparty, please see page 6.

Securities Lending in Triparty

Lending securities can generate additional alpha but involves considerable operational management as all loans must be secured by either cash or non-cash collateral. Triparty can be deployed to service many of these elements.

Click [here](#) to learn more about agency securities lending.

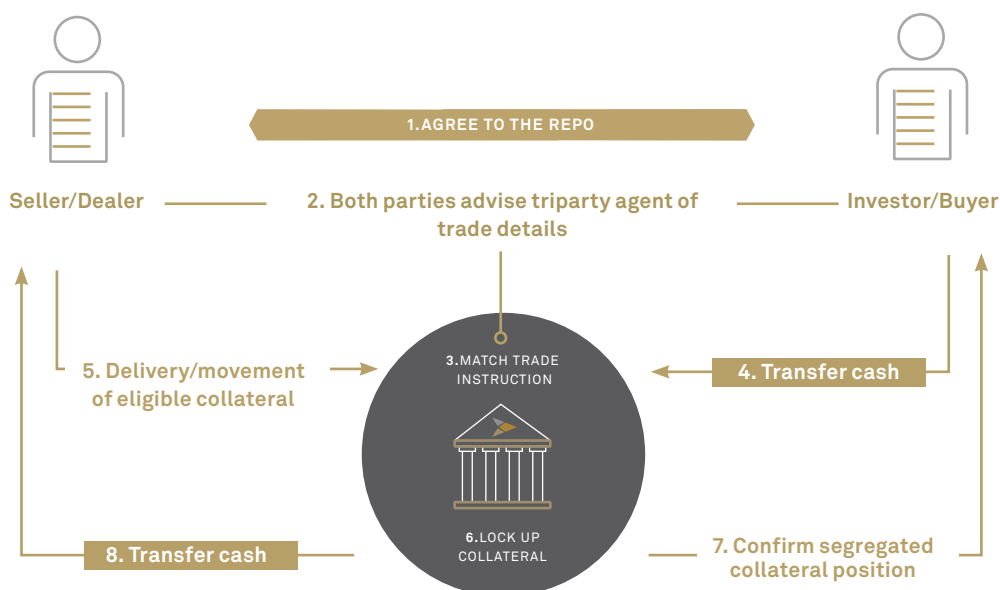
Triparty Initial Margin Segregation Transaction Flow



1. The collateral provider and collateral receiver enter into a trade and agree to secure the transaction by posting collateral to each other.
2. With BNY Mellon acting as triparty agent, both parties advise us of trade details.
3. We match the trade instructions to verify that all transaction details are correct. We also screen the posted assets to confirm they satisfy the collateral receiver's eligibility criteria.
4. The collateral provider delivers collateral to us.
5. We lock up the posted collateral in the receiver's segregated account.
6. We provide confirmation of the collateral receiver's account position.

Once the trade has settled in triparty, we provide ongoing maintenance and reporting around the position. Maintenance includes ensuring continuing collateral sufficiency, effecting collateral substitutions and margin calls and delivering daily mark-to-market of collateral.

Triparty Repo Transaction Flow



1. The seller enters into a repo trade with a cash provider (buyer), agreeing to post securities as collateral in exchange for cash funding.
2. In our capacity as triparty agent, both the seller and the cash provider supply us with the details of the repo trade.
3. We match the trade instructions to verify all trade terms are consistent.
4. The cash provider transfers cash to BNY Mellon.
5. The seller delivers the collateral that will support the repo trade to us.
6. We place the pledged collateral in a segregated account.
7. We confirm to the cash provider that the securities supporting the repo have been placed into the segregated account.
8. The cash is transferred to the seller.

We provide ongoing maintenance and reporting around the repo, including handling many of the required operational elements concerning rolling overnight transactions over longer durations.

At trade maturity we confirm that both the cash and collateral are returned.

Contact Us

BNY Mellon has been at the forefront of triparty collateral management since the very first triparty trades were transacted in the US in 1985.

Thirty-five years later, we remain the leader in triparty with \$3.7 trillion in average triparty collateral management balances residing with us.²

For more information about triparty, please reach out to relevant contact below:

EMEA

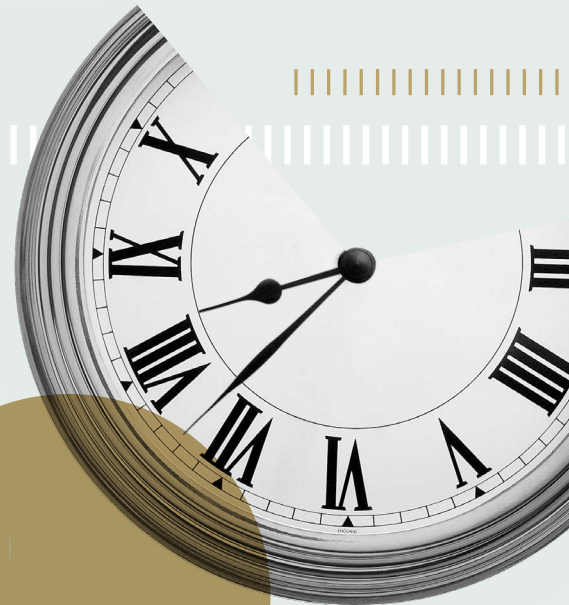
Ingrid Garin
+322 545 8666
Ingrid.Garin@bnymellon.com

APAC

Shinya Kato
+81 3 6756 4326
Shinya.Kato1@bnymellon.com

AMERICAS

Kevin Reinert
+1 212 635 8805
Kevin.Reinert@bnymellon.com



² As of March 30, 2020

