



# Collateral Management Case Study

Specialist service that supports the end-to-end collateral management lifecycle, including the parametrization of collateral agreements, calculation of collateral calls, movement of collateral assets and the management of disputes.

## The Client

A leading North America pension fund was looking for a holistic solution to maximize the efficiency and effectiveness of their over-the-counter (OTC) derivative and repurchase agreement (repo) strategies.

## The Challenge

Diversification of the pension fund's investment strategy needed to be supported by a holistic solution to maximize the operational efficiency and effectiveness of their growing alternatives exposure – leaning on established collateral management workflows, intuitive oversight tools and trusted operational expertise.

## The Solution

RBC Investor & Treasury Services (RBC I&TS) implemented a fully outsourced solution focused on technology, oversight and operational expertise.

We worked in partnership with the pension fund to gain a deep understanding of their growth strategy, existing collateral management operating model and how RBC I&TS could allow the fund to outsource non-core operational activities while increasing their focus on oversight and their investment goals.

RBC I&TS implemented a highly automated workflow solution supported by market-leading technology. Our operational subject matter experts facilitated a smooth handover of daily tasks which allowed our client to move to an exception-based oversight model through the introduction of robust controls and transparent reporting.

## The Benefits

The realized benefits of this partnership include:

### Utilizing idle cash

The pension fund historically deployed cash to cover their collateral pledge against over-the-counter (OTC) derivative and repurchase agreement (repo) trades.

RBC I&TS' integrated collateral management solution allowed the fund to replace their cash collateral with existing securities in their portfolio, such as bonds.

The pension fund was able to free up significant amounts of cash, which would no longer lay idle for the purposes of collateral, but could be used more efficiently as part of their broader investment strategy.

### Mitigating risk in turbulent markets

Market downturns are particularly challenging for clients who experience margin calls a result of falling share prices, and this is exacerbated when cash is used as collateral, given that large sums of cash need to be made available quickly to meet the margin calls.

The pension fund has future-proofed and de-risked their operating model by leveraging existing positions in securities rather than posting cash to meet margin calls.

## For More Information

To learn more or request a demonstration of this solution, contact your RBC I&TS representative or one of the middle office specialists listed below.



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