

Nordic Investment Bank & Omgeo



Nordic Investment Bank (NIB), an international financial institution owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden, chose Omgeo ProtoColl® to improve its counterparty risk mitigation capabilities through the automation of its collateral management processes. Omgeo asked **Lars-Ake Olsson**, senior director, to review why the bank selected Omgeo to help it meet its risk management goals.

The financial crisis of 2008 and consequent changes in market structure has pushed collateral management to the top of the priority list for NIB. Prior to adopting Omgeo ProtoColl, the firm relied on manual-based practices for managing collateral of its swaps transactions, which support its existing volumes of credit supported annexes (CSAs). However, NIB could foresee that with the market evolution, it would need to automate its collateral management processing to be able to support volume increases as well as improve its credit counterparty risk mitigation practices.

NIB reviewed outsourcing and several collateral management vendor solutions, but ultimately chose to implement new technology from Omgeo due to the breadth of features as well as to retain control of their collateral management processes and maintain relationships with counterparties. The bank reviewed several collateral management vendor solutions but ultimately selected Omgeo ProtoColl for its full functionality.

“By using Omgeo ProtoColl, we have become more strategic; we now have more options in terms of how we use and accept collateral.”

Lars Lars-Ake, Olsson, NIB

Expanding the range of counterparties

The main driver behind implementing Omgeo ProtoColl was to strengthen NIB’s management of credit counterparty risk by improving the bank’s ability to collateralize exposures and monitor risks generally. However, improved risk controls also supported the bank’s plan to expand the range of counterparties and reduce concentration risk.

“When a specific area is really important, a firm typically manages this process in-house. We chose to license a new collateral management system in order to maintain this control within our firm.”

Lars Lars-Ake, Olsson, NIB

Specifically, NIB would be able to work with counterparties across appropriate credit ratings without necessarily increasing its risk overall because the diversification of its counterparty network would help it avoid concentration risk by working with a larger number of counterparties.

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Operational efficiency

NIB achieved greater operational efficiency through the use of Omgeo ProtoColl, especially with improved management of disputes, which were previously manual and reliant upon email. With ProtoColl, the NIB operational team is now automatically alerted to disputes, which allows the team to communicate and respond to internal issues much more efficiently. This allows the team to resolve issues earlier in the day, which is important during times of heightened market volatility. The team estimates that several hours of resource time previously spent on manual daily processing have been eliminated due to automation, saving time and costs. Furthermore, this has also reduced the banks overall operational risk and NIB is now confident that its collateral management operation meets market best practices.

The implementation of Omgeo ProtoColl was swift, with most of the work focused on integration of interfaces with other systems. In fact, the implementation was completed ahead of schedule in less than three months.

From swaps to repo?

NIB adopted Omgeo ProtoColl for swaps but is now considering expanding to support repurchase agreements (repos) as the bank is launching reverse repos and expects to enter into more agreements for such transactions in the future. With Omgeo ProtoColl, NIB has the operational foundation and scale needed to support the expansion to repos and general growth in the long term.

About NIB

The Nordic Investment Bank (NIB) is the common international financial institution of the eight Nordic and Baltic countries. NIB provides long-term financing to the energy, environmental, transport, logistics and communications and innovation sectors for projects that strengthen competitiveness and enhance the environment. NIB's headquarters are located in Helsinki, Finland. Most of NIB's lending is directed towards its member countries, but it also finances projects in the neighbouring region and in selected emerging market countries. NIB has the highest possible credit rating, AAA/aaa, with the leading rating agencies Standard & Poor's and Moody's.

About Omgeo

At Omgeo, we are the operations experts, automating trade lifecycle events between investment managers, broker/dealers and custodian banks. We enable 6,500 clients and 80 technology partners in 52 countries around the world to seamlessly connect and interoperate. By automating and streamlining post-trade operations, we enable clients to accelerate the clearing and settlement of trades, and better manage and reduce their counterparty and credit risk. Our strength lies with our global community and our ability to adapt our solutions to enable clients to realize clear returns on their investment strategies, while responding to changing market and regulatory conditions. Across borders, asset classes, and trade lifecycles, Omgeo is the global standard for operational efficiency across the investment industry. Formed in 2001, Omgeo is jointly owned by the DTCC and Thomson Reuters. For more information, please visit www.omgeo.com.

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