

Talanx & Omgeo ProtoColl



Talanx Asset Management GmbH (TAM) recognized the need for action due to the adoption of the European Market Infrastructure Regulation (EMIR). TAM knew that EMIR would change the way OTC derivatives should be traded and impact the collateralizing of OTC positions. In late 2013, having prepared a business case in collaboration with PricewaterhouseCoopers (PwC), TAM opted to insource collateral management from two external collateral agents. TAM now manages collateral for the entire Talanx Group using the Omgeo ProtoColl system for bilateral and CCP-cleared derivatives.

Tina Breiling, Team Leader Middle Office with responsibility for Collateral Management, and Christoph Kopp, Collateral Management specialist, describe the path to saving costs and enhancing transparency and efficiency in collateral management.

TAM, together with Talanx Immobilien Management and Ampega Investment GmbH, services the investments of Talanx AG, Germany's third-largest insurance group. TAM is responsible for the Talanx Group's investments in the money, capital and real estate markets.

One of the crucial challenges TAM faces as an asset manager in the insurance sector is managing the sometimes differing collateral management processes for funds and direct portfolios, in particular the integration of the collateral process within the group's overarching cash management system for direct portfolios.

TAM has now integrated both direct portfolios and funds within ProtoColl and is now not only able to fulfill all collateral management requirements currently stipulated by EMIR but is also prepared for any future requirements. As the central service provider for all companies of the Talanx Group, TAM provides comprehensive, one-stop collateral management services: from managing margin calls, booking collateral movements, through to reporting.

"The risk has become significantly more transparent compared with the earlier outsourcing model, because we identify problems immediately. It has become measurable, because we access the data directly, and we can significantly better assess the counterparty risk."

Tina Breiling, Team Leader Middle Office, Talanx Asset Management

More flexibility and transparency

Insourcing collateral management using ProtoColl has also made a positive impact on transaction register reporting (TRR), since both derivatives and collateral portfolios can be accessed directly. This removes the need to source additional reports from external collateral agents.

TAM has enhanced its expertise in collateral management now that these activities are part of its daily business. Disputes are resolved on a timelier basis, and TAM has significantly improved its knowledge of counterparty risk profiles. An example of the significant improvement in flexibility and efficiency is provided by securities used as collateral – these can now be substituted more quickly and easily because the roles of external collateral agents have been removed.

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“The ‘My Collateral World’ dashboard in ProtoColl is simple to use and self-explanatory. The day starts on the left and ends on the right. Our work is then over, and Settlement takes over.”

Christoph Kopp, Mitarbeiter im Collateral Management, Talanx Asset Management GmbH

Decision-making process for insourcing and introducing ProtoColl

Up until the middle of 2014, TAM outsourced its collateral management to two external collateral agents. TAM received information about collateral transactions and portfolios while providing valuations for derivative positions in advance. The external agents would use this data to then process all of the events for daily margining.

TAM worked with PricewaterhouseCoopers (PwC) to select the collateral management system. They compared offers from a range of providers and prepared a business case. This incorporated a projection for the number of credit support annexes, as well as assumptions about how EMIR would affect the collateral process. The data and assumptions formed the basis for calculating the expected cost of continuing with the external collateral management model employed at the time; these were then compared with the internal collateral management scenario. The cost for ProtoColl and for solutions of other providers was also factored into this comparison.

The key factor in deciding to bring collateral management back into the group was not only cost. TAM's desire for more flexibility and the ability to manage processes directly and quickly were also key criteria. The advantages that ProtoColl offered included its functionality, price, and short implementation time.

“It took less than six months to implement ProtoColl, which was fast. Even though most of the specialist areas had little understanding of collateral management beforehand, the new processes became well established within a short period of time.”

Tina Breiling, Team Leader Middle Office, Talanx Asset Management

Go-live after six months – the path to implementation

For the implementation process, TAM opted to work with PwC and benefited from its knowledge of processes, systems and methodology. The core project team comprised five people, while other colleagues were brought in from the various specialist areas on an as-needed basis. Talanx chose to implement the DTCC (Depository Trust & Clearing Corporation) hosted ProtoColl solution.

TAM uses front-to-back SimCorp Dimension (SCD). A key step in implementation was analyzing TAM's internal setup in SCD and configuring new processes. The challenge lay less in creating the interfaces with ProtoColl but more in coordinating the requirements of the various specialist areas (from portfolio management to reporting) in order to capture collateral in SCD. The disparate requirements of direct portfolios and funds ultimately led to the creation of two slightly different setups in SCD.

The result is a highly efficient process with fully automated interfaces between ProtoColl and SCD. Integrating ProtoColl into SCD, the core system, has simplified the inclusion of collateral data in risk and limit controlling, reporting and portfolio management.

Talanx Asset Management GmbH

The financial services group comprising Talanx Asset Management, Talanx Immobilien Management and Ampega Investment employs a staff of 344 employees and manages total client assets of around EUR 106.6 billion (as at 31 December 2014, market values). Talanx Asset Management is owned by Talanx AG, Germany's third-largest and Europe's seventh-largest insurance group.

Omgeo

Formed in 2001, Omgeo automates trade lifecycle events between investment managers, broker/dealers and custodian banks, enabling 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, Omgeo enables clients to accelerate the clearing and settlement of trades, and better manage and reduce their counterparty and credit risk. Omgeo's strength lies within its global community and its ability to create 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. Omgeo is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). For more information, please visit www.omgeo.com.

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