

WEBVTT

00:00:04.920 --> 00:00:07.931

Good morning, good afternoon, good evening, and welcome to our

00:00:07.980 --> 00:00:10.894

webinar on navigating the central clearing mandate in the U.S.

00:00:10.942 --> 00:00:11.719

Treasury market.

00:00:12.320 --> 00:00:15.120

I'm Nate Wuerffel, Global Head of Market Structure and the

00:00:15.170 --> 00:00:18.470

Product Lead for our global collateral platform, and I'm delighted

00:00:18.520 --> 00:00:19.320

you can join us.

00:00:20.000 --> 00:00:20.360

Today,

00:00:20.360 --> 00:00:23.420

we're going to talk about the most significant change to

00:00:23.474 --> 00:00:26.425

the U.S. Treasury market in decades, the move to central

00:00:26.480 --> 00:00:28.120

clearing under the SEC'S rule.

00:00:29.120 --> 00:00:32.210

It'll reassemble the Treasury market with the majority of trading

00:00:32.258 --> 00:00:34.160

activity shifting into central clearing.

00:00:34.600 --> 00:00:37.934

And that'll change the way that market participants trade

00:00:37.988 --> 00:00:42.307

and settle their transactions, but also their relationship with counterparties,

00:00:42.361 --> 00:00:45.040

risk management practices, pricing and liquidity.

00:00:46.680 --> 00:00:49.400

BNY has a long and interconnected history with U.S.

00:00:49.400 --> 00:00:50.160

Treasury market.

00:00:50.440 --> 00:00:54.102

Our founder, Alexander Hamilton negotiated the first loan to the

00:00:54.160 --> 00:00:56.849

U.S. government from the Bank of New York all the

00:00:56.907 --> 00:00:57.880

way back in 1789.

00:00:58.720 --> 00:01:01.280

Today, BNY holds a unique position in the market.

00:01:01.560 --> 00:01:05.362

We're the primary settlement provider for the Treasury market, settling

00:01:05.415 --> 00:01:08.039

an average of \$20 trillion in transactions daily.

00:01:08.520 --> 00:01:11.594

We custody more than \$10 trillion in the Treasury securities

00:01:11.646 --> 00:01:12.480

across the bank.

00:01:12.760 --> 00:01:15.200

That's more than 1/3 of securities outstanding.

00:01:16.160 --> 00:01:19.317

We're the largest triparty liquidity venue in the world

00:01:19.374 --> 00:01:23.152

for Treasury securities, supporting repo financing each day of more

00:01:23.208 --> 00:01:24.280

than \$2.4 trillion.

00:01:24.840 --> 00:01:28.262

And we're one of the top intermediaries in centrally cleared

00:01:28.319 --> 00:01:31.799

Treasury repo financing and the world's leading agent lender.

00:01:33.200 --> 00:01:35.828

Given our role, we see it as an important responsibility

00:01:35.875 --> 00:01:38.880

to help the marketplace transition smoothly to central clearing.

00:01:39.200 --> 00:01:42.123

So today we'll explain what that transition looks like and

00:01:42.173 --> 00:01:44.794

then we're going to focus on the preparation and the

00:01:44.844 --> 00:01:46.759

solutions that we are offering at BNY.

00:01:46.880 --> 00:01:50.505

I'm really delighted to be joined by a panel of

00:01:50.582 --> 00:01:52.280

experts on this topic.

00:01:52.840 --> 00:01:57.324

Victor O'Laughlen, the Executive Platform Owner of our Global Clearing

00:01:57.388 --> 00:02:01.359

platform, Jim Palmer, the Head of Liquidity Margin and Cleared

00:02:01.423 --> 00:02:05.779

Repo Sales, Sophia Pavlidou, Cntral Clearing Products on our Global

00:02:05.843 --> 00:02:09.879

Collateral platform and Ted Leveroni, the Global Head of Margin

00:02:09.943 --> 00:02:10.519

Services.

00:02:13.120 --> 00:02:15.150

So let me start by a quick overview of the

00:02:15.198 --> 00:02:15.440

rule.

00:02:15.440 --> 00:02:17.954

Many of you will know this by now, but it's

00:02:18.013 --> 00:02:21.054

helpful to review the background on the rule and

00:02:21.113 --> 00:02:22.399

some of our solutions.

00:02:23.800 --> 00:02:26.638

You'll see on the next slide that the rule calls

00:02:26.698 --> 00:02:30.187

on most of the Treasury market transactions to be centrally

00:02:30.246 --> 00:02:30.719

cleared.

00:02:32.160 --> 00:02:35.240

In the cash market, that's purchase and sale transactions.

00:02:35.760 --> 00:02:39.672

Transactions between dealers or on interdealer platforms will need to

00:02:39.729 --> 00:02:40.919

be centrally cleared.

00:02:41.200 --> 00:02:43.400

That's roughly half of the cash market.

00:02:45.080 --> 00:02:48.609

In the repo market, almost all repo transactions will need

00:02:48.670 --> 00:02:52.199

to be centrally cleared under the Treasury mandate.

00:02:53.880 --> 00:02:56.973

The FICC has done a survey and estimated that some

00:02:57.035 --> 00:03:00.685

\$4 trillion of Treasury transactions will need to move into

00:03:00.747 --> 00:03:03.160

the central clearing under the mandate.

00:03:05.160 --> 00:03:07.920

That will mean that liquidity transitions as well.

00:03:07.919 --> 00:03:12.478

So today most liquidity is available within the uncleared

00:03:12.549 --> 00:03:17.749

markets of the treasury market where transactions are settled bilaterally

00:03:17.820 --> 00:03:18.960

or in triparty.

00:03:19.400 --> 00:03:22.697

But as this move to central clearing, we'll see transactions

00:03:22.752 --> 00:03:26.435

increasingly be centrally cleared and the liquidity will move along

00:03:26.490 --> 00:03:27.039

00:03:27.120 --> 00:03:29.840

with that transition to central clearing.

00:03:32.200 --> 00:03:34.080

There are a few exceptions under the rule.

00:03:34.320 --> 00:03:38.661

Certain entity types are not required to centrally clear, for

00:03:38.732 --> 00:03:43.999

example, central banks or fiscal arms of different sovereign institutions.

00:03:44.880 --> 00:03:48.497

However, we do view that most transactions will be centrally

00:03:48.557 --> 00:03:49.039

cleared.

00:03:52.120 --> 00:03:55.812

Overall, in terms of readiness across the marketplace, what we're

00:03:55.869 --> 00:03:58.482

seeing is that there is a big shift today that

00:03:58.538 --> 00:04:01.322

we've moved from in the last six months to better

00:04:01.378 --> 00:04:04.559

understanding the rule to getting ready to implement it.

00:04:04.760 --> 00:04:06.732

So not just what is the rule, but how can

00:04:06.780 --> 00:04:08.079

it be actually implemented?

00:04:08.520 --> 00:04:12.956

We recently did a survey called the Value Exchange Survey

00:04:13.034 --> 00:04:17.160

that was sponsored by SIFMA, BNY Broadridge and DTCC.

00:04:17.400 --> 00:04:20.920

And that survey indicated that about 47% of respondents were

00:04:20.978 --> 00:04:23.560

very confident of meeting the new deadlines.

00:04:24.080 --> 00:04:26.567

And those deadlines are by the end of this year,

00:04:26.619 --> 00:04:29.885

cash purchase and sale transactions that fall under the mandate

00:04:29.936 --> 00:04:31.440

need to be centrally cleared.

00:04:31.640 --> 00:04:34.482

And by the end of June of 2027, repo transactions

00:04:34.540 --> 00:04:37.557

that are fall under the mandate need to be centrally

00:04:37.615 --> 00:04:38.079

cleared.

00:04:38.240 --> 00:04:41.337

So 47% or about half the marketplace feels very confident

00:04:41.392 --> 00:04:43.239

that they can hit those deadlines.

00:04:44.040 --> 00:04:46.864

Another 41% are somewhat confident that they can hit those

00:04:46.913 --> 00:04:47.400

deadlines.

00:04:47.400 --> 00:04:49.666

So we're talking about close to 90% of the market

00:04:49.712 --> 00:04:52.811

that's either very confident or somewhat confident in meeting these

00:04:52.857 --> 00:04:53.319

deadlines.

00:04:53.640 --> 00:04:55.677

So what I would say is that if you're not

00:04:55.727 --> 00:04:58.560

in those categories, it's time to get there because those

00:04:58.609 --> 00:05:00.200

deadlines are coming up quickly.

00:05:00.560 --> 00:05:03.733

And what we've understood is that the industry has asked

00:05:03.790 --> 00:05:05.320

for asked for an extension.

00:05:05.320 --> 00:05:06.960

That extension has now occurred.

00:05:07.080 --> 00:05:10.244

We've now seen those dates from the original rule moved

00:05:10.301 --> 00:05:11.280

back by one year.

00:05:11.279 --> 00:05:13.941

So those due dates have moved back by one year

00:05:13.999 --> 00:05:16.892

since the original rule was put out in December of

00:05:16.950 --> 00:05:17.239

2023.

00:05:17.760 --> 00:05:21.840

We're not expecting the SEC to extend those dates further.

00:05:22.320 --> 00:05:25.197

So market participants really need to be thinking about getting

00:05:25.243 --> 00:05:27.390

ready by the end of this year for cash purchase

00:05:27.436 --> 00:05:29.720

and sale transactions and the end of June for repo

00:05:29.766 --> 00:05:30.360

transactions.

00:05:32.080 --> 00:05:35.573

We have seen some important updates recently from the CCPs

00:05:35.633 --> 00:05:37.200

in the U.S. Treasury market.

00:05:37.640 --> 00:05:40.277

Currently, the Fixed Income Clearing Corporation is a CCP in

00:05:40.320 --> 00:05:41.199

the treasury market.

00:05:41.640 --> 00:05:46.013

The Chicago Mercantile Exchange was recently approved as a CCP,

00:05:46.082 --> 00:05:50.039

and ICE has also applied to be the Intercontinental Exchange.

00:05:50.040 --> 00:05:53.173

applied to be a CCP in the Treasury market

00:05:53.239 --> 00:05:56.439

as well, and their application is still pending.

00:05:56.760 --> 00:05:59.250

So we've seen quite a bit of new developments on

00:05:59.302 --> 00:06:00.600

the clearing model front.

00:06:01.279 --> 00:06:04.653

FICC in particular has also been rolling out a series

00:06:04.716 --> 00:06:08.281

of new clearing models that we'll hear about later today

00:06:08.344 --> 00:06:11.399

both in triparty and DVP based clearing models.

00:06:12.000 --> 00:06:14.862

And so we're seeing evolution in the models that are

00:06:14.917 --> 00:06:17.559

available to centrally clear transactions.

00:06:18.960 --> 00:06:21.400

We've also seen some regulatory updates recently.

00:06:21.960 --> 00:06:25.063

There was a question about whether agency MBS triparty

00:06:25.120 --> 00:06:29.239

transactions or general collateral trades needed to be centrally cleared.

00:06:29.520 --> 00:06:31.320

Those have now been ruled out of the mandate.

00:06:31.320 --> 00:06:34.106

So agency MBS general collateral trades no longer need to

00:06:34.155 --> 00:06:37.039

be centrally cleared under the SEC's interpretive guidance.

00:06:38.240 --> 00:06:41.417

There is also part part of the rule that requires

00:06:41.482 --> 00:06:44.399

the clearing of inter affiliate transactions.

00:06:44.400 --> 00:06:47.624

So many of you may know that large global institutions

00:06:47.683 --> 00:06:51.266

conduct repo on an inter affiliate basis to manage liquidity

00:06:51.325 --> 00:06:52.520

and move collateral.

00:06:53.640 --> 00:06:57.120

Those inter-affiliate transactions are subject to the clearing rule.

00:06:57.480 --> 00:07:00.188

There is the ability to exempt those trades, but it

00:07:00.241 --> 00:07:03.799

requires then that any externally facing repo be centrally cleared.

00:07:04.600 --> 00:07:08.758

The industry has asked the SEC for some additional flexibility

00:07:08.825 --> 00:07:12.849

around the inter affiliate rule exemption that would allow a

00:07:12.916 --> 00:07:16.807

small percentage of an inter of a organization's repo book

00:07:16.874 --> 00:07:19.959

to be done on a non centrally cleared basis by

00:07:20.026 --> 00:07:22.239

non-U.S. CCP member affiliates.

00:07:22.480 --> 00:07:24.688

We have yet to hear from the SEC on that,

00:07:24.742 --> 00:07:28.243

but we're hopeful that that flexibility would be provided because

00:07:28.297 --> 00:07:30.882

it could allow firms to focus on the majority of

00:07:30.936 --> 00:07:34.222

their activity rather than a small portion of activity that's

00:07:34.276 --> 00:07:36.000

being done in non-U.S. affiliates.

00:07:38.200 --> 00:07:40.796

So that's a quick rundown of the rule, the current

00:07:40.847 --> 00:07:43.495

status in the industry, and then some of the recent

00:07:43.547 --> 00:07:46.040

updates that we've seen on the regulatory front.

00:07:47.360 --> 00:07:49.882

I'd like to turn now to our solutions at BNY

00:07:49.940 --> 00:07:52.520

and what it takes to get ready for this rule.

00:07:52.840 --> 00:07:56.342

We've often talked about the four things that industry participants

00:07:56.394 --> 00:07:58.955

need to consider when preparing for the Rule 1 to

00:07:59.007 --> 00:08:02.300

understand the scope of the rule, what transactions you conduct

00:08:02.352 --> 00:08:04.966

today that are subject to the trans subject to the

00:08:05.018 --> 00:08:05.279

rule.

00:08:05.560 --> 00:08:07.981

That involves your own legal analysis, but it also may

00:08:08.026 --> 00:08:11.030

involve talking with your counterparties about whether they need to

00:08:11.075 --> 00:08:12.599

centrally clear your transactions.

00:08:13.960 --> 00:08:17.607

Second, thinking about the models that you will use to

00:08:17.674 --> 00:08:18.079

clear.

00:08:18.080 --> 00:08:20.651

Once you understand the rule, then you have to decide

00:08:20.699 --> 00:08:23.319

what model, what approach to clear those transactions.

00:08:23.320 --> 00:08:25.574

Again, that could be you as an intermediary or if

00:08:25.620 --> 00:08:28.611

you're an end client, talking with your counterparties about what

00:08:28.657 --> 00:08:31.279

approach they're going to use to clear your transactions.

00:08:31.680 --> 00:08:34.411

Third, you really need to think about the risk management

00:08:34.459 --> 00:08:37.000

considerations around centrally cleared transactions.

00:08:37.480 --> 00:08:40.880

Centrally cleared transactions require margin liquidity commitments.

00:08:41.200 --> 00:08:44.712

They also require in some cases additional capital, especially from

00:08:44.765 --> 00:08:47.963

intermediaries, and that may be passed on to end participants

00:08:48.015 --> 00:08:50.480

in the treasury market through price or margin.

00:08:51.600 --> 00:08:54.560

And then finally, getting, getting prepared, getting ready.

00:08:54.880 --> 00:08:57.150

What is your internal plan to get ready for the

00:08:57.198 --> 00:08:57.440

rule?

00:08:57.440 --> 00:08:59.040

Making sure you have a robust one.

00:08:59.320 --> 00:09:01.184

You now have one year to go, just under a

00:09:01.229 --> 00:09:03.594

year to go for the central clearing of cash purchase

00:09:03.639 --> 00:09:04.640

and sale transactions.

00:09:04.640 --> 00:09:08.065

But you need to be thinking about legal documentation systems,

00:09:08.120 --> 00:09:12.153

counterparty readiness and don't underestimate how long those things will

00:09:12.209 --> 00:09:14.639

take and the investment that they will take.

00:09:16.440 --> 00:09:18.603

Here at BNY, we're offering we, we have a series

00:09:18.648 --> 00:09:21.307

of solutions that we think will really help the marketplace

00:09:21.352 --> 00:09:22.840

transition into central clearing.

00:09:23.360 --> 00:09:25.840

They involve clearing your transactions.

00:09:25.840 --> 00:09:28.379

So you may be conducting transactions today and we can

00:09:28.426 --> 00:09:29.320

clear those trades.

00:09:29.760 --> 00:09:32.205

You may need collateral management to be done on repo

00:09:32.251 --> 00:09:35.157

transactions that can be done on our Global Collateral platform

00:09:35.204 --> 00:09:37.880

and that can be essentially cleared through that platform.

00:09:37.880 --> 00:09:38.760

We'll hear about that.

00:09:39.680 --> 00:09:42.520

You may need direct financing on a centrally cleared basis.

00:09:42.600 --> 00:09:45.320

We'll talk about our done-with financing program.

00:09:45.680 --> 00:09:48.000

And finally, margin solutions.

00:09:48.000 --> 00:09:49.892

You may need to be able to post margin to

00:09:49.938 --> 00:09:50.400

your CCPs.

00:09:50.400 --> 00:09:52.439

That can also be done through a series of solutions

00:09:52.479 --> 00:09:52.999

that we have.

00:09:53.640 --> 00:09:55.721

So let me turn now to some of our panelists

00:09:55.769 --> 00:09:58.092

who can talk about some of our solutions in more

00:09:58.141 --> 00:09:58.480

detail.

00:09:59.960 --> 00:10:02.066

And I'd like to start with Victor who heads up

00:10:02.112 --> 00:10:03.439

our Global Clearing platform.

00:10:03.840 --> 00:10:06.619

And Victor, you know, the, as I mentioned, the cash

00:10:06.673 --> 00:10:10.107

purchase and sale deadline is really approaching fast with the,

00:10:10.161 --> 00:10:11.960

the, the date at the end of 2026.

00:10:12.880 --> 00:10:16.712

You know, obviously purchase and sale transactions require different sort

00:10:16.765 --> 00:10:18.760

of clearing models and considerations.

00:10:18.760 --> 00:10:21.315

And I wonder how should firms be thinking about this

00:10:21.364 --> 00:10:24.410

requirement, What kind of access models are available and what

00:10:24.459 --> 00:10:27.309

is BNY thinking about in terms of transitioning our client

00:10:27.359 --> 00:10:30.159

base and helping the client base through that transition?

00:10:30.880 --> 00:10:31.520

Yeah, sure.

00:10:31.520 --> 00:10:32.560

So thank you, Nate.

00:10:32.560 --> 00:10:34.720

Nice to be with everyone again.

00:10:34.720 --> 00:10:37.360

Victor O'Laughlen, I lead our Global Clearing business at BNY.

00:10:37.480 --> 00:10:40.879

I'll start off by providing an overview of the three

00:10:40.944 --> 00:10:44.736

core products that BNY Global Clearing provides and then I

00:10:44.802 --> 00:10:48.659

can dive into the underlying services that are relevant for

00:10:48.724 --> 00:10:53.693

today's discussion along with some considerations for clients and prospects,

00:10:53.758 --> 00:10:57.877

including the different access models for the purchase and sale

00:10:57.942 --> 00:10:58.400

of U.S.

00:10:58.400 --> 00:10:59.520

Treasury securities.

00:11:00.040 --> 00:11:04.845

So first off, Global Clearings Fed clearance product settles bilateral

00:11:04.913 --> 00:11:09.238

Fed eligible activity today, including the purchase and sale of

00:11:09.307 --> 00:11:10.679

treasury securities.

00:11:11.400 --> 00:11:14.367

Our role in the market and this product offering is

00:11:14.425 --> 00:11:16.519

not changing as part of the mandate.

00:11:16.960 --> 00:11:21.909

So we'll continue to settle bilateral treasury cash trading activity

00:11:21.981 --> 00:11:26.639

that doesn't require clearing through ACCP per the mandate rule.

00:11:27.240 --> 00:11:32.189

We'll also continue to bilaterally settle Fed eligible activity that

00:11:32.262 --> 00:11:36.120

is cleared via a central counterparty as we do today.

00:11:36.320 --> 00:11:40.426

So for example, FICC is a current client of ours

00:11:40.512 --> 00:11:44.789

and we expect to settle more activity from FICC as

00:11:44.875 --> 00:11:48.639

more trades are cleared via three access models.

00:11:48.920 --> 00:11:54.320

One direct FICC members or CCP members submitting

00:11:54.410 --> 00:11:59.720

executed purchase and sale transactions via FICC or CME and

00:11:59.810 --> 00:12:01.160

soon to be ICE.

00:12:01.160 --> 00:12:05.122

We expect via the normal direct model, two,

00:12:05.205 --> 00:12:10.075

via the sponsored DVP model where direct members can submit

00:12:10.158 --> 00:12:15.771

executed purchase and sale transactions on behalf of their sponsored

00:12:15.854 --> 00:12:20.560

members and three, via the Agency Clearing Service model.

00:12:21.240 --> 00:12:24.659

We will also provide bilateral settlement for any other CCP

00:12:24.717 --> 00:12:28.252

involved in the Treasury market, including CME and ICE, given

00:12:28.310 --> 00:12:31.440

our position as the settlement agent in the U.S. market.

00:12:32.920 --> 00:12:37.131

Global Clearing also provides a product called Outsourced Clearing and

00:12:37.191 --> 00:12:40.439

which is delivered via our BNY Pershing broker dealer.

00:12:41.000 --> 00:12:42.680

Some call it corresponding clearing.

00:12:43.200 --> 00:12:47.303

As part of this offering, we are a general clearing

00:12:47.384 --> 00:12:50.119

member of FICC, NSCC and other CCPs.

00:12:50.559 --> 00:12:54.097

So BNY Pershing submits trades to CCPs on behalf of

00:12:54.166 --> 00:12:57.981

bank and broker dealer clients and can help settle this

00:12:58.050 --> 00:13:01.865

activity as an end-to-end compliance solution to access

00:13:01.934 --> 00:13:05.679

the US market, including the purchase and sale of U.S.

00:13:05.680 --> 00:13:07.360

Treasury securities via FICC.

00:13:08.480 --> 00:13:10.980

We'll dig into this a bit further when we speak

00:13:11.033 --> 00:13:13.640

about the Agency Clearing Service in more detail.

00:13:14.120 --> 00:13:17.040

And then finally, our third product is called International Clearance.

00:13:17.400 --> 00:13:20.757

Also known as a global custody model, we provide

00:13:20.823 --> 00:13:24.905

settlement agent services for turn around activity in 100+

00:13:24.971 --> 00:13:28.855

markets, 12 of which we are direct including North America,

00:13:28.921 --> 00:13:31.159

UK and the major European markets.

00:13:31.679 --> 00:13:33.823

So if we can turn to the next slide, I'm

00:13:33.876 --> 00:13:36.984

going to revert back to our Outsource Clearing product and

00:13:37.038 --> 00:13:40.360

provide a quick overview of the Agency Clearing Service model.

00:13:41.160 --> 00:13:43.892

We will also host in a more in depth session

00:13:43.954 --> 00:13:47.618

scheduled next week on February 5th for those interested in

00:13:47.681 --> 00:13:50.662

learning more about the ACS model and we have an

00:13:50.724 --> 00:13:55.320

additional session scheduled for February 10th that's more A-PAC friendly.

00:13:56.200 --> 00:14:00.669

The Agency Clearing Service is offered to U.S. and international

00:14:00.741 --> 00:14:04.634

bank and broker dealer clients who want access to FICC

00:14:04.706 --> 00:14:08.310

in order to clear and settle in-scope purchase and

00:14:08.382 --> 00:14:09.319

sales of U.S.

00:14:09.320 --> 00:14:10.520

Treasury securities.

00:14:11.160 --> 00:14:15.353

The benefits of this offering are one, there's no requirement

00:14:15.423 --> 00:14:17.520

to be a direct member of FICC.

00:14:18.920 --> 00:14:23.876

Therefore you can forego the legal documentation and the financial

00:14:23.951 --> 00:14:26.279

obligations of FICC membership.

00:14:27.560 --> 00:14:31.141

Two, BNY Pershing will pay the default fund and the

00:14:31.216 --> 00:14:35.991

initial and variation margin as required to support this cleared

00:14:36.066 --> 00:14:39.200

activity, so we provide that as a service.

00:14:40.400 --> 00:14:40.520

00:14:40.920 --> 00:14:46.340

Clients and prospects retain their existing trading relationships while leveraging

00:14:46.406 --> 00:14:50.239

BNY Pershing to provide automated clearing and settlement.

00:14:50.800 --> 00:14:54.800

So you can retain your existing BNY custody accounts to

00:14:54.872 --> 00:14:57.200

settle these clear transactions.

00:14:57.200 --> 00:15:00.463

So if you're an existing Fed clearance client accessing the

00:15:00.518 --> 00:15:04.280

Treasury market, you can continue to leverage that existing account.

00:15:04.640 --> 00:15:08.997

If you're an International Clearance client using our GSP application,

00:15:09.059 --> 00:15:11.985

you can continue to use that account as well to

00:15:12.047 --> 00:15:14.039

settle these clear transactions.

00:15:14.520 --> 00:15:15.400

So what does this do?

00:15:15.400 --> 00:15:19.732

It's essentially reduces account setups and simplifies the onboarding and

00:15:19.792 --> 00:15:20.919

settlement process.

00:15:21.920 --> 00:15:27.210

We also offer an accelerated onboarding process that requires, again,

00:15:27.286 --> 00:15:32.423

no FICC documentation and it essentially requires only one contract

00:15:32.500 --> 00:15:33.880

with BNY Pershing.

00:15:35.200 --> 00:15:38.394

So that being said, everyone needs to make a decision

00:15:38.454 --> 00:15:41.528

very soon to ensure we can support what is expected

00:15:41.589 --> 00:15:44.000

to be a rush to comply with the mandate.

00:15:45.080 --> 00:15:47.605

And I'll leave it with a few different use cases

00:15:47.657 --> 00:15:49.920

that we think clients may be interested in.

00:15:49.920 --> 00:15:55.440

In the ACS Model, one, clients trading on interdealer platform.

00:15:55.440 --> 00:15:58.692

So for example, a firm executing on a venue such

00:15:58.759 --> 00:16:02.418

as broker tech that requires FICC clearing, but you in

00:16:02.486 --> 00:16:06.280

that particular example are not a direct member of FICC.

00:16:07.640 --> 00:16:12.584

We've been getting some inquiries about bank branches that particularly

00:16:12.653 --> 00:16:16.066

are overseas that have another branch that is a

00:16:16.135 --> 00:16:19.826

FICC member, but they don't want to clear through that

00:16:19.896 --> 00:16:21.080

affiliate branch.

00:16:22.640 --> 00:16:25.002

There's an opportunity for us to be able to service

00:16:25.048 --> 00:16:27.040

those prospects and clients as well.

00:16:27.840 --> 00:16:30.612

And then also Nate mentioned firms not otherwise in scope

00:16:30.660 --> 00:16:32.119

that need a clearing solution.

00:16:32.120 --> 00:16:34.973

So there's going to be a lot of liquidity in

00:16:35.038 --> 00:16:36.400

the cleared products.

00:16:36.400 --> 00:16:39.525

And so you may voluntarily want to clear transactions just

00:16:39.579 --> 00:16:41.520

to be able to access that liquidity.

00:16:42.440 --> 00:16:47.104

And then finally, government securities dealers, government securities brokers and

00:16:47.160 --> 00:16:50.744

broker dealers trading with other FICC members, but they're not

00:16:50.801 --> 00:16:52.280

an FICC member themselves.

00:16:52.840 --> 00:16:55.800

We can help facilitate access to FICC.

00:16:56.560 --> 00:16:56.920

Thank you.

00:17:00.520 --> 00:17:01.000

Thanks Victor.

00:17:01.000 --> 00:17:03.931

And you make a really great point about those that

00:17:03.990 --> 00:17:06.394

may not be subject to the rule or you may

00:17:06.452 --> 00:17:09.677

not have some transaction types that fall under the

00:17:09.736 --> 00:17:10.440

rules scope.

00:17:11.040 --> 00:17:13.441

That being said, given the shift that we're expecting in

00:17:13.484 --> 00:17:15.715

liquidity, it could be that you're going to get much

00:17:15.758 --> 00:17:18.160

better pricing if you can centrally clear a transaction.

00:17:18.160 --> 00:17:21.079

And a couple of reasons for that are that dealers

00:17:21.139 --> 00:17:24.237

can get the balance sheet benefit of having the same

00:17:24.297 --> 00:17:26.799

exposure on for example repo transactions.

00:17:27.680 --> 00:17:29.716

But it also could just be a matter of liquidity

00:17:29.759 --> 00:17:32.359

that the non-centrally cleared markets are much smaller.

00:17:32.400 --> 00:17:33.600

Is that how you see it, Victor?

00:17:34.240 --> 00:17:35.080

Yeah, absolutely.

00:17:35.080 --> 00:17:36.480

I think you want to have options.

00:17:36.480 --> 00:17:39.026

We don't necessarily know how, like there's going to be

00:17:39.072 --> 00:17:40.599

changes in pricing and liquidity.

00:17:41.480 --> 00:17:45.292

We believe being ready for that as a defensive measure

00:17:45.363 --> 00:17:48.399

as well is going to be an important tool in

00:17:48.469 --> 00:17:51.999

your toolkit, whether you decide to use it or not.

00:17:52.000 --> 00:17:54.333

I think it's good to have connectivity to the

00:17:54.382 --> 00:17:56.715

cleared models to be able to ensure that you get

00:17:56.764 --> 00:17:58.320

that pricing and that liquidity.

00:17:59.360 --> 00:18:00.440

Yeah, that's a great point.

00:18:01.600 --> 00:18:03.640

Let me turn it over now to Jim Palmer.

00:18:03.640 --> 00:18:06.444

So Jim in your role as Head of Liquidity Margin

00:18:06.503 --> 00:18:09.775

and Cleared Repo Sales, you're looking at how we develop

00:18:09.834 --> 00:18:13.749

business with our clients around the sponsored repo business, which

00:18:13.807 --> 00:18:16.905

as I mentioned before is one of the leading sponsored

00:18:16.963 --> 00:18:17.840

repo providers.

00:18:18.760 --> 00:18:21.068

Give us some sense of our perspective on

00:18:21.117 --> 00:18:23.917

the repo clearing requirement and how you think about the

00:18:23.967 --> 00:18:26.668

shift of central clearing and what's the role that that

00:18:26.717 --> 00:18:29.272

our sponsored repo desk can provide to clients in

00:18:29.321 --> 00:18:29.959

the industry.

00:18:31.080 --> 00:18:31.280

Yeah.

00:18:31.280 --> 00:18:33.869

Thank you, Nate, and good morning, good afternoon and good

00:18:33.913 --> 00:18:36.280

evening to everyone participating in today's webinar.

00:18:36.520 --> 00:18:38.579

My name is Jim Palmer and I run the sales

00:18:38.629 --> 00:18:41.039

for our Liquidity Margin and Clear Repo program.

00:18:41.640 --> 00:18:44.228

And as Nate and Victor have set the table here,

00:18:44.283 --> 00:18:47.147

our goal with this seminar is to provide an overview

00:18:47.202 --> 00:18:50.561

of our central clearing solutions across the franchise and to

00:18:50.616 --> 00:18:54.582

highlight how clients are leveraging these capabilities to support their

00:18:54.637 --> 00:18:56.839

liquidity, financing and clearing needs.

00:18:57.240 --> 00:19:00.066

With an eye on the mandate, we have existing products

00:19:00.119 --> 00:19:02.999

and we're rolling out new enhancements for the future.

00:19:03.000 --> 00:19:05.321

So we're excited to share where we stand with those

00:19:05.366 --> 00:19:05.639

today.

00:19:07.040 --> 00:19:09.480

To Nate's point, I'll be covering the 'Done-with' business.

00:19:09.480 --> 00:19:12.358

And to help frame this discussion, I wanted to first

00:19:12.414 --> 00:19:15.624

start out by outlining where this business sits within the

00:19:15.680 --> 00:19:16.400

organization.

00:19:17.480 --> 00:19:20.603

Our team is part of the Liquidity and Financing platform

00:19:20.659 --> 00:19:24.174

within our Markets franchise and we have aligned the commercial

00:19:24.230 --> 00:19:28.637

organization accordingly, enabling our team to engage with clients holistically

00:19:28.692 --> 00:19:32.040

around their cash investment and collateral financing needs.

00:19:32.800 --> 00:19:35.480

And we have a waterfall of solutions across the platform.

00:19:35.560 --> 00:19:39.618

And the sponsored repo business fits nicely as a solution

00:19:39.689 --> 00:19:42.680

for clients looking to invest cash in U.S.

00:19:42.680 --> 00:19:45.240

Treasury repo or finance U.S.

00:19:45.240 --> 00:19:46.200

Treasury collateral.

00:19:46.880 --> 00:19:50.448

That's the commercial side that 'done-with' sponsored repo portfolio

00:19:50.502 --> 00:19:53.854

itself sits within our securities finance business and many of

00:19:53.908 --> 00:19:56.666

the folks, many of the clients and partners on this

00:19:56.720 --> 00:19:59.639

call experience or have a relationship with that team.

00:19:59.640 --> 00:20:02.800

Today, we support clients through our agency business.

00:20:02.800 --> 00:20:04.720

We're a market leader as an agent lender.

00:20:05.200 --> 00:20:09.044

We have a very significant and meaningful principal business providing

00:20:09.099 --> 00:20:12.119

term financing with Bank of New York as a counterparty.

00:20:12.160 --> 00:20:15.005

We also have Prime Solutions as part of that portfolio

00:20:15.058 --> 00:20:15.480

as well.

00:20:16.280 --> 00:20:18.891

And we also have this sponsored 'done-with' business and

00:20:18.939 --> 00:20:22.131

there's connectivity for clients across each of these depending on

00:20:22.179 --> 00:20:22.760

their needs.

00:20:23.720 --> 00:20:27.194

By way of background, our sponsor 'done-with' program was

00:20:27.257 --> 00:20:30.353

launched nearly a decade ago and today it sits as

00:20:30.416 --> 00:20:32.880

a market leader across the marketplace.

00:20:32.880 --> 00:20:35.964

When we look at the numbers nearly \$2.5

00:20:36.034 --> 00:20:40.240

trillion and Treasury repo already participates voluntarily.

00:20:40.240 --> 00:20:44.352

So before the June of 2027 date in sponsored activity

00:20:44.429 --> 00:20:48.774

and our trading desk supports nearly 20% of that overall

00:20:48.852 --> 00:20:49.239

flow.

00:20:49.760 --> 00:20:52.200

So really meaningful scale for our clients.

00:20:52.760 --> 00:20:56.839

Notably this activity is predominantly overnight repo, although we are

00:20:56.897 --> 00:20:59.520

seeing some term activity for up to one week.

00:21:00.359 --> 00:21:04.484

Collateral eligibility is both treasuries and agencies, although as Nate

00:21:04.541 --> 00:21:08.036

pointed out, the clearing rule doesn't require agencies to be

00:21:08.093 --> 00:21:11.072

centrally cleared, but we have seen a nice uptick in

00:21:11.129 --> 00:21:14.280

clients looking to fund agency MBS within the platform.

00:21:15.520 --> 00:21:17.806

So that being said, let's dive into the rule

00:21:17.854 --> 00:21:20.473

and who is impacted and Nate's touched on this already,

00:21:20.521 --> 00:21:21.760

but let's zero in on it.

00:21:22.680 --> 00:21:26.351

The rule requires that members of the central clearing agency

00:21:26.412 --> 00:21:28.879

and today that volume flows through FICC.

00:21:29.560 --> 00:21:30.640

If you trade U.S.

00:21:30.680 --> 00:21:34.412

Treasury repo with a member of a central clearing agency,

00:21:34.478 --> 00:21:38.080

then that member is subject to complying with the rule.

00:21:38.200 --> 00:21:42.335

And therefore folks on this call, money funds, state treasurers,

00:21:42.399 --> 00:21:46.147

asset owners, hedge funds, corporates, you will need to be

00:21:46.212 --> 00:21:50.218

thinking about setting up access for cleared markets with your

00:21:50.283 --> 00:21:52.479

dealers with their own repo desks.

00:21:52.960 --> 00:21:55.907

But through this 'done-with' program at BNY, you can

00:21:55.966 --> 00:21:58.560

look to BNY to be another repo counterparty.

00:22:00.320 --> 00:22:03.268

A 'done-with' trade means that BNY transact as a

00:22:03.332 --> 00:22:05.960

counterparty within the repo transaction.

00:22:06.240 --> 00:22:07.840

We are the trading counterparty.

00:22:08.320 --> 00:22:11.912

Clients can either be a repo buyer, a cash provider

00:22:11.982 --> 00:22:14.800

or a repo seller, a collateral provider.

00:22:15.960 --> 00:22:19.021

The repo trade is executed facing BNY and then the

00:22:19.082 --> 00:22:21.959

clearing and ovation process is managed by BNY.

00:22:22.040 --> 00:22:24.979

We assume the role of processing agent as part of

00:22:25.039 --> 00:22:25.639

the trade.

00:22:26.440 --> 00:22:29.126

Clients only deal with BNY and our trading desk and

00:22:29.180 --> 00:22:31.919

I want to emphasize this because it comes up often.

00:22:32.040 --> 00:22:36.081

Clients exposure is initially to the bank BNY and ultimately

00:22:36.148 --> 00:22:40.526

transitions to the clearing house as the ultimate counterparty in

00:22:40.593 --> 00:22:41.200

the repo

00:22:41.480 --> 00:22:44.736

once the trade is novated and as shown here in

00:22:44.807 --> 00:22:48.771

the slide, each sponsored client faces only BNY and does

00:22:48.842 --> 00:22:52.240

not face the other sponsored clients within BNY.

00:22:52.359 --> 00:22:55.723

Their exposure again is solely to us at the point

00:22:55.792 --> 00:22:57.919

of trade until it becomes FICC.

00:22:58.000 --> 00:23:02.318

These repo transactions with our desk provide access through which

00:23:02.384 --> 00:23:05.656

clients can comply with the rule and enjoy many of

00:23:05.721 --> 00:23:09.975

the benefits of central cleared trades, in particular repo trades

00:23:10.040 --> 00:23:12.920

ultimately with the credit exposure of FICC.

00:23:14.280 --> 00:23:16.965

But the clients do not then bear the responsibility of

00:23:17.015 --> 00:23:19.800

being a direct member and the cost associated with that.

00:23:19.920 --> 00:23:22.080

That is our role as a sponsor.

00:23:22.560 --> 00:23:25.607

And given that this activity is a sponsor and largely

00:23:25.665 --> 00:23:29.173

an off balance sheet financing product for us, this portfolio

00:23:29.230 --> 00:23:32.969

has historically been able to provide consistent daily funding of

00:23:33.026 --> 00:23:36.764

Treasury collateral and has been an excellent execution point for

00:23:36.822 --> 00:23:39.639

cash investment options for buying Treasury repo.

00:23:41.160 --> 00:23:46.189

From a trade execution perspective, our teams leverage Bloomberg as

00:23:46.264 --> 00:23:51.294

well as BNY Mellon's LiquidityDirect investment portal to purchase

00:23:51.369 --> 00:23:52.119

FICC repo.

00:23:52.480 --> 00:23:56.213

This fits in nicely with how clients manage their repo

00:23:56.282 --> 00:23:57.320

activity today.

00:23:58.560 --> 00:24:01.744

We also leverage BNY's infrastructure and triparty to support

00:24:01.796 --> 00:24:03.439

the settlement of this activity.

00:24:04.280 --> 00:24:06.000

We utilize sponsored GC.

00:24:06.040 --> 00:24:09.339

We also support DVP for collateral provider settlement and we

00:24:09.393 --> 00:24:12.151

recently announced at the end of last year our team

00:24:12.206 --> 00:24:14.640

did the industry's first Collateral in lieu

00:24:15.160 --> 00:24:17.649

I know Sofia will touch on this next, but we

00:24:17.704 --> 00:24:20.360

have found the collateral new trade to be a very

00:24:20.415 --> 00:24:23.680

meaningful way to engage with our repo investor clients.

00:24:23.880 --> 00:24:27.549

This new capability alleviates our need as a sponsoring bank

00:24:27.610 --> 00:24:32.197

from guaranteeing the performance of the sponsored client, our counterparty

00:24:32.258 --> 00:24:35.071

to FICC as long as the cash investor grants the

00:24:35.133 --> 00:24:38.557

lien on the collateral to FICC with that collateral being

00:24:38.619 --> 00:24:39.719

held in triparty.

00:24:40.000 --> 00:24:42.320

Again, we don't need to guarantee the performance.

00:24:42.480 --> 00:24:44.972

And as a result of this and Nate touched on,

00:24:45.028 --> 00:24:48.087

on some of this earlier, we anticipate that leading to

00:24:48.144 --> 00:24:51.372

greater efficiency and more capacity for BNY and

00:24:51.429 --> 00:24:54.657

other dealers as they look to leverage Collateral in lieu

00:24:54.714 --> 00:24:56.640

with their counterparties as well.

00:24:57.640 --> 00:24:59.320

A few other things we wanted to highlight here.

00:24:59.320 --> 00:25:01.000

What are we hearing from clients?

00:25:01.320 --> 00:25:02.520

What's top of mind?

00:25:03.160 --> 00:25:06.600

First and foremost, the June 2027 deadline is coming.

00:25:07.080 --> 00:25:08.800

Documentation takes time.

00:25:09.960 --> 00:25:13.162

There's a lot of excitement and a growing pipeline globally

00:25:13.217 --> 00:25:15.279

from clients both in and out of scope.

00:25:15.760 --> 00:25:17.480

Both Nate and Victor touched on that.

00:25:18.400 --> 00:25:21.640

We anticipate a continued shift towards cleared markets.

00:25:21.640 --> 00:25:24.610

So for clients out of scope by the rule, by

00:25:24.679 --> 00:25:27.580

nature of the rule or based on the type of

00:25:27.649 --> 00:25:32.554

documentation, we do suggest pursuing a sponsor relationship to ensure

00:25:32.623 --> 00:25:37.113

you have appropriate access to liquidity because we do anticipate

00:25:37.182 --> 00:25:41.120

market liquidity to move to the cleared market generally.

00:25:41.119 --> 00:25:44.764

There's also significant excitement around the triparty platform capabilities

00:25:44.811 --> 00:25:46.400

that Sofia and Ted will touch on.

00:25:47.119 --> 00:25:50.628

I've mentioned Collateral in lieu, but 'done-away', we think this

00:25:50.687 --> 00:25:53.839

will be able to support access to cleared markets for

00:25:53.899 --> 00:25:56.039

dealer and cash investor activities.

00:25:56.040 --> 00:25:59.124

So Ted will have highlights there, but we're really excited

00:25:59.176 --> 00:26:00.640

about that offering as well.

00:26:01.720 --> 00:26:04.885

And lastly, this group as well as my colleagues across

00:26:04.943 --> 00:26:07.757

the globe, we've been spending a lot of time and

00:26:07.815 --> 00:26:10.980

Nate touched on this around how BNY can support global

00:26:11.039 --> 00:26:15.435

counterparties, in particular counterparties that are wrapped into the rule

00:26:15.494 --> 00:26:19.011

because of their affiliate exposure to the netting member in

00:26:19.069 --> 00:26:19.480

the U.S.

00:26:20.400 --> 00:26:22.360

We're here to help that audience of clients.

00:26:22.359 --> 00:26:26.590

We've had significant success in supporting clients across Europe and

00:26:26.652 --> 00:26:29.963

Asia and through our 'done-with' program, we've seen

00:26:30.024 --> 00:26:32.600

that to be a nice outlet to help solve for

00:26:32.661 --> 00:26:33.519

repo clearing.

00:26:34.200 --> 00:26:36.627

I'll pause there, Nate, I'll turn it back to you

00:26:36.678 --> 00:26:38.600

and look forward to the QA at the end.

00:26:39.080 --> 00:26:39.560

Thanks, Nate.

00:26:40.400 --> 00:26:40.880

Thanks, Jim.

00:26:41.200 --> 00:26:43.065

And Jim, one of the things you and I have

00:26:43.111 --> 00:26:45.568

spent a lot of time traveling around the world talking

00:26:45.613 --> 00:26:48.389

about central clearing both, you know, the range of solutions

00:26:48.434 --> 00:26:49.800

we have across the enterprise.

00:26:49.800 --> 00:26:52.088

But one of the things that's always struck me is

00:26:52.135 --> 00:26:54.614

that, you know, there are still there are, you know,

00:26:54.661 --> 00:26:57.188

a lot of marketplace is not centrally clear today and

00:26:57.235 --> 00:27:00.429

therefore there's still not widespread familiarity with some of the

00:27:00.477 --> 00:27:01.239

clearing models.

00:27:01.240 --> 00:27:03.775

And so if you're in the repo market, you're doing

00:27:03.827 --> 00:27:07.035

financing and Treasury securities and you need to get exposure

00:27:07.087 --> 00:27:08.639

to how central clearing works.

00:27:08.920 --> 00:27:11.738

You know, coming to us and our 'done-with' program

00:27:11.796 --> 00:27:14.497

is a great way to understand how that can work

00:27:14.556 --> 00:27:17.139

and do it in a way that's efficient and with

00:27:17.198 --> 00:27:20.896

a counterparty that can provide lots of liquidity because we're

00:27:20.955 --> 00:27:23.479

one of the leading repo counterparty desks.

00:27:23.840 --> 00:27:25.680

You know, how's that conversation gone?

00:27:25.680 --> 00:27:27.280

And do you see that the same way, Jim?

00:27:27.920 --> 00:27:30.080

Yeah, no, Nate agreed.

00:27:30.080 --> 00:27:33.033

And I think that's been the message that we've

00:27:33.092 --> 00:27:35.159

seen from clients across the globe.

00:27:35.160 --> 00:27:36.600

It's step one -

00:27:36.600 --> 00:27:38.932

what is the rule and how I,

00:27:38.990 --> 00:27:40.040

how am I impacted?

00:27:40.400 --> 00:27:42.040

So there's an educational part.

00:27:42.040 --> 00:27:46.867

But then what's really resonated with clients is sponsored

00:27:46.943 --> 00:27:47.479

exists.

00:27:47.480 --> 00:27:48.840

It's a mature market today.

00:27:48.840 --> 00:27:51.040

People are voluntarily participating.

00:27:51.320 --> 00:27:54.063

People can get ahead of the deadline by signing up

00:27:54.118 --> 00:27:55.600

sponsored agreements today.

00:27:55.920 --> 00:27:59.350

And then as we'll cover here, these additional access models

00:27:59.407 --> 00:28:02.837

by signing up the sponsored model, they'll then

00:28:02.894 --> 00:28:05.410

be ready to access the new models as

00:28:05.467 --> 00:28:07.640

they become ready for the marketplace.

00:28:08.800 --> 00:28:09.240

That's great.

00:28:09.240 --> 00:28:11.184

And your point about signing up early I think is

00:28:11.224 --> 00:28:12.439

a really important one, right.

00:28:12.440 --> 00:28:16.056

So those sponsored documentation, they can take several months

00:28:16.112 --> 00:28:19.562

to go through the whole process of negotiating those sponsored

00:28:19.618 --> 00:28:23.569

agreements because the sponsor is guaranteeing the performance of their

00:28:23.624 --> 00:28:26.240

client to the CCP under the sponsored GC model.

00:28:26.600 --> 00:28:30.039

And so that requires some serious negotiation about what that

00:28:30.095 --> 00:28:31.280

guarantee looks like.

00:28:32.040 --> 00:28:34.949

Going through that process can be lengthy and so having

00:28:35.002 --> 00:28:37.488

the legal capacity to do it, having the time to

00:28:37.541 --> 00:28:40.079

do it with your counterparty is super important.

00:28:40.080 --> 00:28:42.216

And you don't want to be at the long, you

00:28:42.268 --> 00:28:44.404

know, at the end of a long line of market

00:28:44.456 --> 00:28:47.531

participants who's trying to get your, you know, the latest

00:28:47.583 --> 00:28:50.448

legal counsel to come over and help out because they're

00:28:50.501 --> 00:28:53.887

helping out everybody else or, or jammed with your counterparties

00:28:53.940 --> 00:28:55.920

and their legal department.

00:28:55.920 --> 00:28:58.937

So that discussion needs to start as soon as possible,

00:28:58.993 --> 00:28:59.439

I think.

00:28:59.440 --> 00:29:01.847

And so you know what are 'done-with' program as

00:29:01.900 --> 00:29:05.003

a counterparty providing financing, it can be the way that

00:29:05.056 --> 00:29:07.998

you introduce yourself, into clearing now ahead of the

00:29:08.052 --> 00:29:08.479

mandate.

00:29:08.840 --> 00:29:11.187

It can be a way that you can diversify your

00:29:11.242 --> 00:29:15.172

counterparty relationships because you're going to need more capacity or

00:29:15.227 --> 00:29:18.230

you can just grow your capacity with us because

00:29:18.284 --> 00:29:20.960

more needs to be centrally cleared in the future.

00:29:22.240 --> 00:29:22.480

OK.

00:29:22.480 --> 00:29:24.794

So we've talked a little bit about if you're doing

00:29:24.840 --> 00:29:27.479

transactions in the cash market and you need to outsource

00:29:27.525 --> 00:29:30.626

that clearing to get it centrally cleared, Victor's Global Clearing

00:29:30.673 --> 00:29:33.079

platform can do that through our outsourced service.

00:29:33.840 --> 00:29:36.951

Jim has talked about if you need centrally cleared financing

00:29:37.002 --> 00:29:39.543

from us as a counterparty, we do that through our

00:29:39.595 --> 00:29:40.839

'done-with' repo business.

00:29:41.480 --> 00:29:44.152

I'm going to turn it over to Sofia now because

00:29:44.209 --> 00:29:47.223

we also have a platform here that supports any dealer

00:29:47.279 --> 00:29:50.862

and cash investor and increasingly even buy side participants in

00:29:50.919 --> 00:29:53.079

centrally clearing their transactions.

00:29:53.080 --> 00:29:54.965

So, Sofia, tell us a little bit about the

00:29:55.006 --> 00:29:57.185

platform and and what are some of the solutions that

00:29:57.227 --> 00:29:58.400

we're rolling out right now?

00:29:58.880 --> 00:29:59.480

Sure, Nate.

00:29:59.480 --> 00:30:00.520

And hi, everyone.

00:30:01.240 --> 00:30:02.320

And you hit it there.

00:30:02.320 --> 00:30:02.720

Nate.

00:30:02.880 --> 00:30:05.543

I'd like to start by building a little bit on

00:30:05.602 --> 00:30:08.325

some of the points that Jim and Victor made in

00:30:08.384 --> 00:30:11.521

our role at BNY as a financing counterparty and sponsor

00:30:11.581 --> 00:30:13.120

as well as clearing agent.

00:30:13.480 --> 00:30:16.212

The way to think about our Global Collateral platform is

00:30:16.261 --> 00:30:19.140

that we really provide the infrastructure where all of that

00:30:19.189 --> 00:30:20.800

activity can take place at scale.

00:30:21.360 --> 00:30:24.895

Indeed, the entire platform supports more than \$7 trillion

00:30:24.954 --> 00:30:29.314

dollars of financing activity across various straight types, asset classes

00:30:29.372 --> 00:30:30.079

and markets.

00:30:30.480 --> 00:30:33.553

And we support the whole collateral life cycle from eligibility

00:30:33.602 --> 00:30:34.920

to optimization settlement.

00:30:35.520 --> 00:30:38.151

If it were to put this in really simple words,

00:30:38.208 --> 00:30:40.725

what we do is help our clients get the right

00:30:40.783 --> 00:30:43.814

assets to the right place at the right time, focusing

00:30:43.872 --> 00:30:45.760

on the SEC central clearing rule -

00:30:45.760 --> 00:30:48.461

our platform here plays a key role as it becomes

00:30:48.518 --> 00:30:52.345

really the operational fabric where our clients meet CCPs supporting

00:30:52.401 --> 00:30:55.160

their clearing margin and collateral obligations.

00:30:55.760 --> 00:30:59.258

From a U.S. CCP perspective, we support today FICC and we're

00:30:59.319 --> 00:31:03.369

currently working with CME on their independent and supported user

00:31:03.431 --> 00:31:06.622

access models as well as with Eyes who have recently

00:31:06.683 --> 00:31:09.199

announced their plans to enter the space.

00:31:10.040 --> 00:31:12.844

Our goal here is to simply a neighborhood clients to

00:31:12.898 --> 00:31:16.350

give them flexible and seamless access across the different CCPs

00:31:16.404 --> 00:31:19.639

and actually the different services within each one of them.

00:31:20.200 --> 00:31:24.081

Our recent product launches and these have been mentioned already

00:31:24.140 --> 00:31:27.484

include FICC's Collateral in Lieu and the

00:31:27.544 --> 00:31:30.828

Agent Clearing Triparty Service as well as 'Done-away' and

00:31:30.888 --> 00:31:34.232

those really building an existing set of CCP services on

00:31:34.291 --> 00:31:37.874

our platform, which is FICC's repo service and sponsored GC

00:31:37.934 --> 00:31:40.920

which have been on our platform for several years.

00:31:41.480 --> 00:31:45.239

And indeed, what we've seen since the rule finalization in 2023

00:31:45.301 --> 00:31:48.684

is that the sponsored GC service in particular and its

00:31:48.747 --> 00:31:52.694

volumes have more than quadrupled since the finalization of the

00:31:52.757 --> 00:31:56.516

rule, reaching approximately \$700 billion by the end of 2025,

00:31:56.579 --> 00:32:00.588

which shows us that clients are proactively switching into cleared

00:32:00.651 --> 00:32:04.159

channels ahead of the full implementation of the mandate.

00:32:05.320 --> 00:32:08.558

And to support this transition from the goal of our

00:32:08.621 --> 00:32:13.638

collateral perspective, we have introduced various enhancements to support this

00:32:13.701 --> 00:32:14.399

transition.

00:32:14.400 --> 00:32:17.709

And to give some flavor here, we have recently introduced

00:32:17.766 --> 00:32:21.533

novation status features so that both clearing members and their

00:32:21.590 --> 00:32:25.185

clients can see the novation status and have transparency

00:32:25.242 --> 00:32:26.840

into the novation process.

00:32:27.240 --> 00:32:31.332

Just three days ago, FICC announced that there's an extended

00:32:31.402 --> 00:32:35.495

settlement cut off for centrally cleared BNY triparty repo

00:32:35.564 --> 00:32:37.160

from 5:30 into 7:00 PM.

00:32:37.400 --> 00:32:40.211

So what this really does is that it aligns the

00:32:40.271 --> 00:32:43.920

centrally cleared triparty repo with a settlement time frame

00:32:43.980 --> 00:32:47.270

of the non-centrally cleared triparty repo, which

00:32:47.330 --> 00:32:49.722

is well after the 3:00 PM cut off of the

00:32:49.782 --> 00:32:50.679

Fed DVP trades.

00:32:51.600 --> 00:32:54.437

And also now CCPs can set minimum haircuts in their

00:32:54.493 --> 00:32:57.719

models of our platform when using our collateral services.

00:32:58.440 --> 00:33:00.792

And on the legal side, I would say we have

00:33:00.848 --> 00:33:03.760

remained really focused on documentation efficiency.

00:33:04.440 --> 00:33:08.421

A recent example here is the single signature adherence agreement

00:33:08.482 --> 00:33:10.319

which focuses on FICC services.

00:33:12.680 --> 00:33:13.000

00:33:13.000 --> 00:33:16.585

To give some perspective here, one dealer facing 15

00:33:16.650 --> 00:33:20.497

counterpart is using three access models before they would have

00:33:20.562 --> 00:33:23.952

to sign 45 signatures and then this would be another

00:33:24.017 --> 00:33:26.560

45 signatures for their counterparties.

00:33:26.720 --> 00:33:29.080

That is in total 90 signatures overall.

00:33:29.560 --> 00:33:32.397

By using this adherence agreement, we bring this down to

00:33:32.448 --> 00:33:32.600

16.

00:33:33.000 --> 00:33:36.123

This is one single signature for the dealer and one

00:33:36.184 --> 00:33:38.879

signature for each of the 15 counterparties.

00:33:39.120 --> 00:33:42.974

That is an 82% decrease in signatures required, which leads to

00:33:43.038 --> 00:33:46.640

faster operational setup and actual go live, which is

00:33:46.703 --> 00:33:49.800

really key as we're moving into central clearing.

00:33:50.560 --> 00:33:52.880

And now let's get a little bit into more detail.

00:33:52.880 --> 00:33:55.823

In our most recent product launches, one of the first

00:33:55.878 --> 00:33:57.599

ones is FICC's Collateral in lieu.

00:33:57.640 --> 00:34:00.317

And we actually, as Jim mentioned, we saw the first

00:34:00.370 --> 00:34:01.840

trade in December last year.

00:34:02.320 --> 00:34:05.786

One of the key topics around the mandatory clearing discussion

00:34:05.842 --> 00:34:08.973

is the increase in margin requirements and CIL, which is

00:34:09.029 --> 00:34:12.384

the abbreviation for Collateral in lieu is a direct response to

00:34:12.440 --> 00:34:12.719

that.

00:34:13.200 --> 00:34:17.324

Collateral in lieu is an extension of the existing sponsored

00:34:17.394 --> 00:34:21.168

GC service on our platform where FICC takes a targeted

00:34:21.238 --> 00:34:25.712

lean on the collateral allocated in the cast investors dedicated

00:34:25.782 --> 00:34:27.320

CIL triparty account.

00:34:28.320 --> 00:34:30.600

So this lien structure achieves two things here.

00:34:31.280 --> 00:34:34.915

First of all, it removes the sponsoring members obligation to

00:34:34.975 --> 00:34:38.909

guarantee the sponsored members performance to FICC which leads to

00:34:38.968 --> 00:34:40.279

reduced capital costs.

00:34:40.880 --> 00:34:44.218

And second of all, in more circumstances, it removes the

00:34:44.277 --> 00:34:47.436

need for the sponsoring member to post margin to FICC

00:34:47.496 --> 00:34:50.774

for the sponsored member side of the trade, which leads

00:34:50.834 --> 00:34:53.039

to lower margin overall being posted.

00:34:53.520 --> 00:34:56.691

And this model now can use joint trading accounts leading

00:34:56.746 --> 00:34:59.640

to further operational efficiencies on our platform.

00:35:01.120 --> 00:35:04.182

Another up-and-coming offering is FICC's Agent Clearing

00:35:04.238 --> 00:35:08.079

Service, which can now settle through our Global Collateral platform.

00:35:08.520 --> 00:35:12.612

This enables agent clearing members and their executing firm customers

00:35:12.670 --> 00:35:16.359

to continue enjoy the benefits of the existing bilateral version

00:35:16.417 --> 00:35:20.683

of the agent clearing model, including potential margin efficiency through

00:35:20.741 --> 00:35:24.199

net margining, but also unlocks the scalability of triparty.

00:35:25.000 --> 00:35:28.856

Operationally, ACS triparty trades can route into the same

00:35:28.921 --> 00:35:32.712

agent clearing omnibus account at FICC as the DVP activity

00:35:32.777 --> 00:35:35.000

and on the Global Collateral side.

00:35:35.080 --> 00:35:38.561

What is key here is that this structure utilizes the

00:35:38.628 --> 00:35:43.247

same legal and operational framework as the existing well established

00:35:43.314 --> 00:35:44.719

sponsored GC service.

00:35:45.680 --> 00:35:48.085

And for both of these models, I would like to

00:35:48.138 --> 00:35:51.132

call out and for the existing sponsored GC service, they

00:35:51.185 --> 00:35:53.644

will be available on a both 'done-with' and 'done-

00:35:53.698 --> 00:35:56.424

away' basis on our platform, which is another way to

00:35:56.477 --> 00:36:00.273

give more flexibility and optionality for market participants to access

00:36:00.326 --> 00:36:03.320

central clearing through our Global Collateral platform.

00:36:04.160 --> 00:36:05.600

And to bring it all together.

00:36:05.600 --> 00:36:08.921

Because I've mentioned many models here, the way we think

00:36:08.979 --> 00:36:12.126

about our Global Collateral platform is that it is key

00:36:12.185 --> 00:36:16.672

infrastructure to provide centrally cleared repo with scale, transparency and

00:36:16.730 --> 00:36:20.226

the control and with a simplified onboarding that really the

00:36:20.285 --> 00:36:23.840

market needs as we transition smoothly into central clearing.

00:36:27.480 --> 00:36:28.040

Thanks, Sofia.

00:36:28.360 --> 00:36:30.440

I think that's a great point you make about the

00:36:30.484 --> 00:36:31.680

Global Collateral platform.

00:36:32.200 --> 00:36:35.442

You know, the scalability of the Global Collateral

00:36:35.499 --> 00:36:38.287

platform is really such a benefit to the users of

00:36:38.343 --> 00:36:39.879

it, not just operationally.

00:36:39.880 --> 00:36:42.853

That's of course a big benefit of not having to

00:36:42.916 --> 00:36:46.901

manage all of the collateral, the deliveries, the potential for

00:36:46.964 --> 00:36:50.760

fails, but also the scalability of the liquidity because

00:36:50.823 --> 00:36:54.113

of how many participants are on the platform and now

00:36:54.176 --> 00:36:57.023

plugging into any CCP that is out there to

00:36:57.086 --> 00:36:59.680

be able to centrally clear your trades.

00:37:00.960 --> 00:37:01.680

Yes, correct.

00:37:01.680 --> 00:37:04.621

That's a key benefit of the triparty platform

00:37:04.676 --> 00:37:07.784

because we think about as infrastructure, but also as

00:37:07.840 --> 00:37:10.615

a network because this is where all of our clients

00:37:10.670 --> 00:37:13.334

meet and get have access to each other, but also

00:37:13.390 --> 00:37:14.999

to different liquidity pools.

00:37:15.000 --> 00:37:18.091

And now with the central clearing mandate with the CCPs,

00:37:18.146 --> 00:37:20.409

and this is what we do, we really make it

00:37:20.464 --> 00:37:23.003

easy to give client access to each one of them

00:37:23.059 --> 00:37:26.039

seamlessly by being under the same network here, Nate.

00:37:26.760 --> 00:37:27.600

Yeah, that's a great point.

00:37:27.840 --> 00:37:29.794

And to your point about the ease of use, you

00:37:29.839 --> 00:37:32.149

know, we've talked to clients a lot about

00:37:32.193 --> 00:37:35.259

just getting the information about whether their transaction has been

00:37:35.303 --> 00:37:37.969

centrally cleared because that's a process to go through the

00:37:38.013 --> 00:37:39.080

novation process, right?

00:37:39.400 --> 00:37:41.857

And our platform just makes that super easy and now

00:37:41.906 --> 00:37:43.400

has that information available.

00:37:43.440 --> 00:37:43.960

Correct.

00:37:44.120 --> 00:37:47.599

And we've been hearing that a lot, especially from clients

00:37:47.659 --> 00:37:50.659

who are not direct participants to CCP's that do

00:37:50.719 --> 00:37:53.479

not have access to this information real time.

00:37:53.719 --> 00:37:57.440

And by having that network and actually our platform, we

00:37:57.506 --> 00:38:01.160

can give that visibility into all clients who might not

00:38:01.226 --> 00:38:04.082

be directly related to FICC or CME or ICE

00:38:04.149 --> 00:38:04.880

the future.

00:38:05.240 --> 00:38:07.280

So yeah.

00:38:07.280 --> 00:38:07.840

Very helpful.

00:38:08.680 --> 00:38:10.482

You know one other thing I just want to highlight

00:38:10.519 --> 00:38:12.064

and then and then I'd like to turn it over

00:38:12.101 --> 00:38:13.720

to Ted to talk a little bit about 'done-away'.

00:38:13.719 --> 00:38:17.105

But I think your point about the ability for the

00:38:17.175 --> 00:38:21.759

Global Collateral platform to make triparty repo more efficient.

00:38:21.760 --> 00:38:25.356

Again, not just operationally, but the structures that we're able

00:38:25.411 --> 00:38:29.119

to operate within Global Collateral platform because they can offer

00:38:29.174 --> 00:38:32.549

things like the lien structures that that guarantee that that

00:38:32.604 --> 00:38:35.592

collateral is going to be available to the lien holder

00:38:35.648 --> 00:38:37.639

that has these significant benefits.

00:38:37.640 --> 00:38:40.761

So for example, FICC's Collateral in lieu product, you

00:38:40.820 --> 00:38:43.529

know, margin can be a two to three basis point

00:38:43.588 --> 00:38:47.122

cost per transaction and the capital for a dealer associated

00:38:47.181 --> 00:38:50.479

with guaranteeing their client and declaring can be eight to

00:38:50.538 --> 00:38:52.600

ten basis points of cost collateral.

00:38:52.600 --> 00:38:55.924

And Collateral in lieu can actually reduce both of those costs because

00:38:55.983 --> 00:38:58.655

of the ability of a triparty repo and Global

00:38:58.714 --> 00:39:01.920

Collateral platform to be safe and secure for the CCP.

00:39:01.920 --> 00:39:04.234

So you no longer require the margin and you don't

00:39:04.281 --> 00:39:05.840

require that guarantee to happen.

00:39:05.840 --> 00:39:08.852

So it's a big benefit if you're able to leverage

00:39:08.915 --> 00:39:09.920

that capability.

00:39:10.760 --> 00:39:13.607

All right, so Ted, maybe now it's time to

00:39:13.674 --> 00:39:14.799

turn over to you.

00:39:14.800 --> 00:39:17.480

We've been talking about outsource clearing.

00:39:17.480 --> 00:39:20.943

We've talked about 'done-with' financing through our sponsored repo

00:39:20.996 --> 00:39:24.193

desk in the global collateral platform that can support many

00:39:24.246 --> 00:39:27.017

dealers, whether that's BNY as a dealer or any other

00:39:27.070 --> 00:39:29.415

dealer in being able to do triparty repo on

00:39:29.468 --> 00:39:31.120

the Global Collateral platform.

00:39:31.600 --> 00:39:34.200

All of this has been in the context of transactions

00:39:34.251 --> 00:39:36.546

that you do, you know, for the most part with

00:39:36.597 --> 00:39:37.719

each other on in repo.

00:39:38.680 --> 00:39:39.200

But what is it?

00:39:39.200 --> 00:39:41.903

So maybe you could just explain, and Victor talked about

00:39:41.951 --> 00:39:44.413

this a little bit earlier, but just explain what is

00:39:44.462 --> 00:39:46.199

'done-away' mean in the Treasury market?

00:39:46.200 --> 00:39:49.769

And then what is the offering that we're contemplating in

00:39:49.832 --> 00:39:50.959

the 'done-away' space?

00:39:51.200 --> 00:39:51.800

Sure, sure.

00:39:51.800 --> 00:39:53.760

Thank you, Nate and welcome everybody.

00:39:54.120 --> 00:39:55.240

Good afternoon and good morning.

00:39:55.719 --> 00:39:59.321

So 'done-away' is a product that we're very excited that

00:39:59.390 --> 00:40:02.507

we're going to be launching and we view it as

00:40:02.577 --> 00:40:06.594

an important component of any money fund, cash provider or

00:40:06.663 --> 00:40:08.879

FICC dealer preparedness program.

00:40:09.320 --> 00:40:11.957

So to fully understand the value that 'done-away' brings, you

00:40:12.003 --> 00:40:14.177

really want to you want to think about what the

00:40:14.224 --> 00:40:16.999

world would look like and what preparedness would look like.

00:40:17.680 --> 00:40:20.207

If there were no Doneaway service, so say you're a

00:40:20.258 --> 00:40:22.735

money fund or a cash provider you may trade with,

00:40:22.786 --> 00:40:25.566

and I'm just going to throw out numbers here, for example,

00:40:25.617 --> 00:40:29.054

15 counterparties, say you may have sponsored arrangements with one,

00:40:29.105 --> 00:40:31.835

one or two of those counterparties, but you trade with

00:40:31.886 --> 00:40:32.239

all 15.

00:40:32.520 --> 00:40:36.800

So without a 'done-away' service, you have two choices.

00:40:37.040 --> 00:40:39.921

You can either focus all of your trading and move

00:40:39.980 --> 00:40:44.273

it to your existing sponsored counterparty relationships or if

00:40:44.331 --> 00:40:48.448

you want to retain those 15 counterparty relationships,

00:40:48.507 --> 00:40:52.564

you would need to execute sponsorship arrangements with the remaining

00:40:52.623 --> 00:40:52.800

13.

00:40:53.640 --> 00:40:56.546

And I think that Nate, you actually talked about it

00:40:56.603 --> 00:40:59.909

really importantly, I think everyone touched on it is

00:40:59.966 --> 00:41:02.929

the burden that that could create in terms

00:41:02.986 --> 00:41:06.520

of legal capacity and in terms of prioritization and resource.

00:41:07.840 --> 00:41:10.558

If you are a dealer, the FICC dealer,

00:41:10.619 --> 00:41:14.063

you may trade with 15 collateral cash providers and

00:41:14.123 --> 00:41:16.479

a whole stable of collateral providers.

00:41:17.080 --> 00:41:19.558

You may be sponsoring some of those, may not be

00:41:19.610 --> 00:41:21.719

sponsoring any of those without 'done-away'.

00:41:21.840 --> 00:41:24.168

You would need to go and execute

00:41:24.219 --> 00:41:27.841

sponsorship arrangements with every one of those counterparties if you

00:41:27.893 --> 00:41:30.480

want to retain the trading relationship with them.

00:41:31.120 --> 00:41:35.880

And this is very onerous, very difficult.

00:41:35.920 --> 00:41:39.890

You're creating this web of contracts, competing with resource, competing

00:41:39.944 --> 00:41:44.241

with internal resource, competing with your counterparty legal resources hugely

00:41:44.296 --> 00:41:44.840

expensive.

00:41:44.840 --> 00:41:46.593

So you have to ask your question, is

00:41:46.632 --> 00:41:47.880

this the right use of resources?

00:41:47.880 --> 00:41:49.518

You know, you're a trading firm or you're a

00:41:49.550 --> 00:41:49.999

money manager.

00:41:50.000 --> 00:41:51.680

This isn't what you want to be doing.

00:41:51.840 --> 00:41:54.261

And then as you mentioned, in our own experience,

00:41:54.305 --> 00:41:55.934

we've seen it take up to six to eight

00:41:55.978 --> 00:41:58.400

months to execute some of these sponsorship agreements.

00:41:59.560 --> 00:42:03.282

So our service, our 'done-away' service is one that we

00:42:03.355 --> 00:42:06.931

are building on top of our existing 'done-with' SMP

00:42:07.004 --> 00:42:10.800

sponsor member program book that that you mentioned.

00:42:11.080 --> 00:42:15.888

We have relationships with most of the major cash providers

00:42:15.969 --> 00:42:17.599

today in the market.

00:42:18.160 --> 00:42:21.081

And so we can add an addendum to that existing

00:42:21.145 --> 00:42:24.511

agreement and that will allow us to sponsor trades at

00:42:24.575 --> 00:42:28.386

those entities execute away from us provided that the dealer

00:42:28.450 --> 00:42:31.626

that they are executing that trade with is part of

00:42:31.689 --> 00:42:32.960

our program as well.

00:42:33.239 --> 00:42:36.260

So we will launch this service and sign the addendums

00:42:36.317 --> 00:42:37.799

with these cash providers.

00:42:37.960 --> 00:42:40.881

We are going out to the dealers today that are

00:42:40.945 --> 00:42:44.438

interested in this service and signing them up to allow

00:42:44.502 --> 00:42:47.995

us to clear the transactions that they execute

00:42:48.059 --> 00:42:50.600

with our stable of collateral providers.

00:42:51.239 --> 00:42:55.268

And this allows everyone to retain their their existing relationships

00:42:55.327 --> 00:42:58.947

without focusing on the very difficult and labor intensive

00:42:59.005 --> 00:43:02.275

task and expensive task of contracting with every one of

00:43:02.333 --> 00:43:03.559

their counterparties.

00:43:04.640 --> 00:43:08.430

So ultimately the way this works, it's very straightforward as

00:43:08.491 --> 00:43:12.036

long as two members counterparties that are in our program

00:43:12.097 --> 00:43:16.010

execute a transaction, they would submit that transaction to

00:43:16.071 --> 00:43:19.188

our triparty platform very similar to the way they

00:43:19.249 --> 00:43:19.800

do today.

00:43:19.840 --> 00:43:21.760

We would know that that is a 'done-away' transaction.

00:43:21.760 --> 00:43:25.811

We would know that we are responsible transaction and then

00:43:25.881 --> 00:43:30.142

we take on the responsibility of notifying FICCFICC to novate

00:43:30.212 --> 00:43:31.399

that transaction.

00:43:31.400 --> 00:43:34.512

FICC would message us back telling us

00:43:34.569 --> 00:43:36.759

that trade has been novated.

00:43:36.760 --> 00:43:38.440

00:43:38.440 --> 00:43:40.930

We would notify the counterparties that the trade has been

00:43:40.973 --> 00:43:41.360

executed.

00:43:41.719 --> 00:43:44.355

At no point during that flow does BNY become a

00:43:44.412 --> 00:43:45.959

counterparty to that trade.

00:43:47.040 --> 00:43:50.929

The the the counterparty and the risk is between the

00:43:51.004 --> 00:43:55.416

two executing entities pre innovation and once the trade is

00:43:55.491 --> 00:43:59.680

novated, both counterparties are facing FICC.

00:44:00.960 --> 00:44:04.360

The benefits we see here are really threefold.

00:44:05.239 --> 00:44:07.369

The first is it allows you to retain your existing

00:44:07.412 --> 00:44:10.180

trading relationships without having to go through the process

00:44:10.223 --> 00:44:12.650

of either launching a sponsored program or adding them to

00:44:12.693 --> 00:44:15.163

a sponsored program or becoming a sponsored member to your

00:44:15.206 --> 00:44:15.760

counterparty.

00:44:16.240 --> 00:44:19.680

It also adds scalability to your business.

00:44:19.960 --> 00:44:23.370

If you want to add a new counterparty, whether it's

00:44:23.437 --> 00:44:26.312

a new cash provider or it's a new dealer

00:44:26.379 --> 00:44:28.720

to your counterparty mix.

00:44:29.320 --> 00:44:31.160

All you have to do is enter the trading relationship.

00:44:31.160 --> 00:44:34.409

You are not going to have to also go through

00:44:34.483 --> 00:44:38.249

the task, the work of adding them and negotiating a

00:44:38.323 --> 00:44:39.800

sponsored agreement.

00:44:40.680 --> 00:44:43.154

And then finally, one of the main benefits is it

00:44:43.206 --> 00:44:45.990

fits within the current triparty flow today that most

00:44:46.042 --> 00:44:47.279

firms are familiar with.

00:44:48.360 --> 00:44:51.320

So that's this product 'done-away' that we're launching.

00:44:51.560 --> 00:44:53.400

It should be launched in Q1 of this year.

00:44:53.600 --> 00:44:57.319

We've already been speaking to both cash providers and dealers

00:44:57.379 --> 00:44:58.039

about this.

00:44:58.040 --> 00:44:59.400

There's a lot of interest in this.

00:44:59.520 --> 00:45:01.939

We don't envision this to be the turnkey to

00:45:01.991 --> 00:45:04.720

allow them to trade with all of their counterparties.

00:45:04.719 --> 00:45:07.120

Most of the firms that we've talked to think that

00:45:07.169 --> 00:45:09.521

they will sponsor or be sponsored by a number of

00:45:09.570 --> 00:45:10.599

their counterparties.

00:45:10.920 --> 00:45:13.471

But for a portion of their book, they believe that

00:45:13.522 --> 00:45:15.359

this is a perfect solution for them.

00:45:19.520 --> 00:45:20.560

Yeah, Ted, thank you so much.

00:45:20.920 --> 00:45:21.880

You know, it's interesting.

00:45:22.120 --> 00:45:26.072

As pencils have gotten sharper around central clearing, people are

00:45:26.131 --> 00:45:30.143

increasingly thinking about the capacity that they have, whether if

00:45:30.203 --> 00:45:33.017

you're a dealer to clear all of your clients or

00:45:33.077 --> 00:45:36.011

if you're a client, you know, where are you going

00:45:36.071 --> 00:45:38.826

to go to access funding or to invest your cash

00:45:38.886 --> 00:45:41.880

and, and does your counterparty have the capacity?

00:45:41.880 --> 00:45:45.499

And it seems like 'done-away' is an important part of

00:45:45.573 --> 00:45:49.488

the solution to that, not just for an individual, but

00:45:49.562 --> 00:45:51.999

at a sort of a market wide level.

00:45:52.320 --> 00:45:53.160

Do you agree with that?

00:45:53.560 --> 00:45:54.080

I think it is.

00:45:54.080 --> 00:45:57.024

I think that, and I've said this before and I

00:45:57.089 --> 00:46:00.165

haven't got any pushback, I think it is a given

00:46:00.230 --> 00:46:02.913

that 'done-away' is going to be a part of the

00:46:02.978 --> 00:46:04.680

overall industry solution.

00:46:05.160 --> 00:46:08.849

Ultimately, you don't want regulations to impact the way you

00:46:08.911 --> 00:46:09.279

trade.

00:46:10.120 --> 00:46:12.893

You want to comply with the regulations, you want to

00:46:12.946 --> 00:46:16.306

enjoy the safety and security of those regulations provide, but

00:46:16.359 --> 00:46:18.813

you don't want it to impact who you trade with

00:46:18.866 --> 00:46:20.039

or how much you trade.

00:46:20.880 --> 00:46:23.111

And 'done-away' is going to be key to

00:46:23.168 --> 00:46:24.999

ensure that that doesn't happen.

00:46:25.880 --> 00:46:26.800

Yep, I agree with that.

00:46:27.600 --> 00:46:28.400

Well, thank you so much.

00:46:28.400 --> 00:46:30.505

I know we're at time here, so I'm going to

00:46:30.555 --> 00:46:32.360

ask our panelists one last question.

00:46:32.360 --> 00:46:34.510

And this never really works, but I'll ask them to

00:46:34.554 --> 00:46:35.520

do it in one sentence.

00:46:36.440 --> 00:46:38.514

So I think it's important we're all getting ready for

00:46:38.554 --> 00:46:40.119

these, the deadlines that are coming up.

00:46:40.120 --> 00:46:42.707

What's the one thing you believe that firm should be

00:46:42.757 --> 00:46:45.544

doing now to prepare for these deadlines for the central

00:46:45.594 --> 00:46:46.439

clearing mandate?

00:46:46.440 --> 00:46:47.840

We'll run down the list in order.

00:46:47.840 --> 00:46:49.280

So maybe Victor, you could go first.

00:46:49.920 --> 00:46:51.280

Just a couple of comments.

00:46:51.280 --> 00:46:54.100

One, this is a global mandate, so be sure whether

00:46:54.158 --> 00:46:55.999

you're in scope or out of scope.

00:46:56.520 --> 00:46:59.619

We believe the Agency Clearing Service model for purchase and

00:46:59.670 --> 00:47:00.279

sale of U.S.

00:47:00.280 --> 00:47:02.773

Treasuries is one of the most margin efficient models out

00:47:02.817 --> 00:47:03.079

there.

00:47:03.560 --> 00:47:06.500

And the BNY Pershing offering has what we believe to

00:47:06.558 --> 00:47:09.268

be one of the quickest paths to compliance in

00:47:09.325 --> 00:47:09.960

the market.

00:47:10.360 --> 00:47:14.880

So please join us on February 5th or February 10th

00:47:14.970 --> 00:47:16.960

for the ACS deep dive.

00:47:16.960 --> 00:47:19.767

And if you haven't received an invite, please contact the

00:47:19.817 --> 00:47:22.279

e-mail address here and we'll get you on the list.

00:47:22.920 --> 00:47:23.880

So thank you.

00:47:23.880 --> 00:47:24.000

Yeah.

00:47:25.320 --> 00:47:25.880

Thanks, Victor.

00:47:25.880 --> 00:47:27.560

That was one excellent sentence.

00:47:29.440 --> 00:47:30.240

Turn it over to you, Jim.

00:47:30.960 --> 00:47:31.960

Yeah, Nate, thank you.

00:47:33.200 --> 00:47:34.760

It's all about access and options.

00:47:34.960 --> 00:47:37.860

So today we have a sponsored repo book that can

00:47:37.922 --> 00:47:41.564

help trade or help provide access as a trading counterparty

00:47:41.625 --> 00:47:44.280

using that relationship leveraging 'done-away'

00:47:44.719 --> 00:47:47.061

our suggestion would be to prioritize the 'done-with' so

00:47:47.104 --> 00:47:49.402

then you're in the stable and ready to participate in

00:47:49.446 --> 00:47:50.400

'done-away' once launched.

00:47:51.360 --> 00:47:52.320

That's great, Sofia.

00:47:53.600 --> 00:47:56.698

Like all of the other comments, I would say give

00:47:56.766 --> 00:48:01.212

yourselves optionality and sign up on BNY's Global Collateral

00:48:01.280 --> 00:48:05.389

platform and really sign up for the adherence agreement which

00:48:05.456 --> 00:48:08.960

really unlocks all that FICC models on our platform.

00:48:08.960 --> 00:48:11.315

And then you can decide later which is the model

00:48:11.364 --> 00:48:13.621

that suits your needs and then sign up for the

00:48:13.670 --> 00:48:16.319

other CCP documentation when these are up and running.

00:48:16.520 --> 00:48:18.560

So documentation is my one word, Nate.

00:48:19.360 --> 00:48:19.600

Great.

00:48:19.920 --> 00:48:20.800

And Ted?

00:48:21.440 --> 00:48:24.999

No firm has unlimited capacity in terms of capital

00:48:25.066 --> 00:48:26.879

or legal resource or focus.

00:48:27.440 --> 00:48:32.355

So run the numbers, prioritize that capacity, and then leverage

00:48:32.433 --> 00:48:36.647

solution providers to fill out your entire book and

00:48:36.725 --> 00:48:38.519

your time preparedness.

00:48:39.760 --> 00:48:40.080

That's great.

00:48:40.640 --> 00:48:40.880

Yep.

00:48:40.880 --> 00:48:43.070

Know the scope, run the numbers to know what model

00:48:43.114 --> 00:48:45.392

you need, consider the risk, and get your program up

00:48:45.436 --> 00:48:47.320

and running so you can hit these deadlines.

00:48:47.920 --> 00:48:49.558

If you need to know more, reach out to your

00:48:49.596 --> 00:48:50.319

BNY representative.

00:48:50.320 --> 00:48:53.337

You can also, there's a ton of material available about

00:48:53.392 --> 00:48:56.519

the central clearing mandate on central.clearing@bny.com.

00:48:56.920 --> 00:48:58.599

And with that, I want to thank you all for

00:48:58.639 --> 00:48:59.079

joining us.

00:48:59.280 --> 00:48:59.920

Have a great day.