TRIPARTY OPERATION WORKFLOW
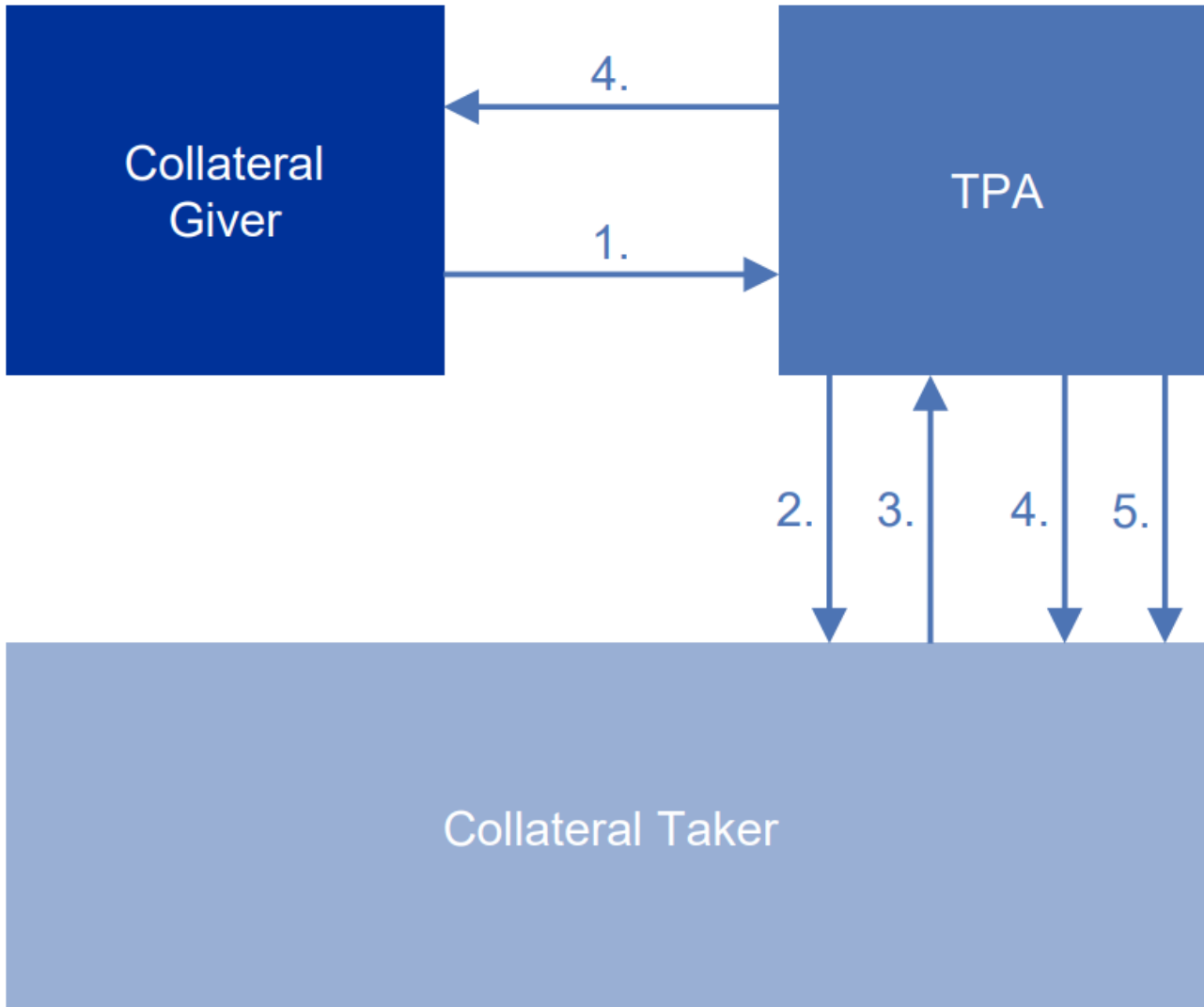
1. Instruction sent to TPA

2. Alledgement sent to Collateral Taker

3. Collateral taker sends matching instructions to TPA

4. Information on the status of the collateralisation (partial or full) is sent in realtime to the Collateral Taker & Collateral Giver

5. Statement on security movements sent to Collateral Taker

TRIPARTY OPERATIONS AT AIB

HISTORICAL OPERATING MODEL
- Low volume trading
- Limited counterparties
- Single agent
- Single legal framework
- Narrow collateral schedules
- Manual processing

PLATFORM UPGRADE
- Multi-year programme to deliver end-to-end solution
- Phased transition of existing product suite
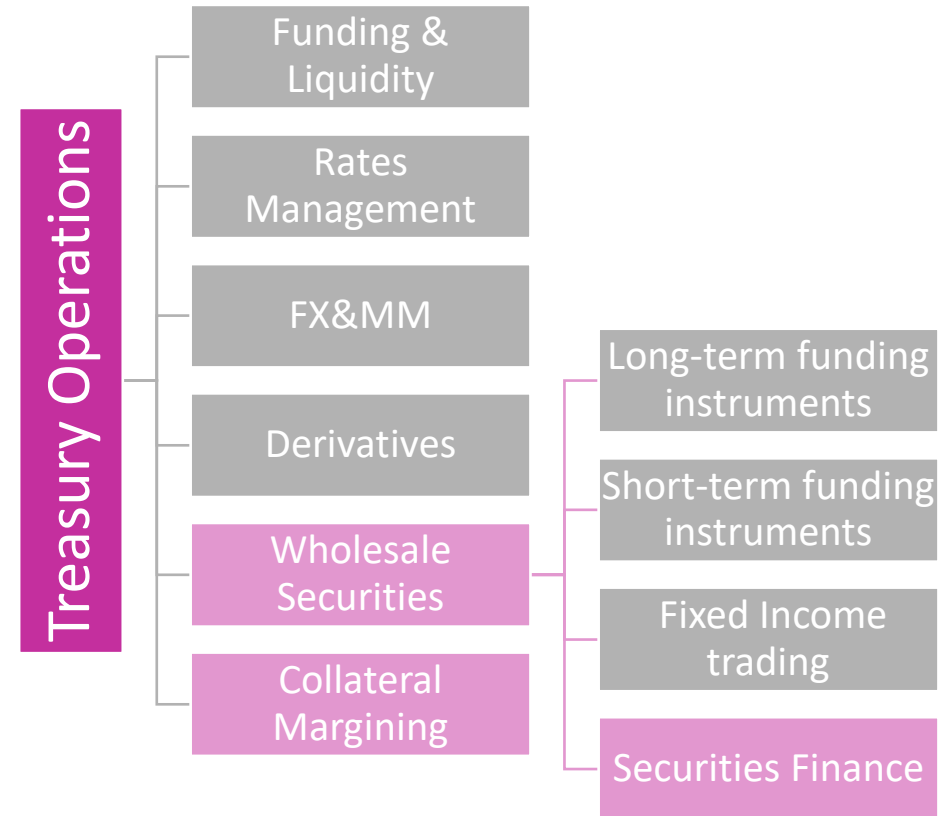- Enhanced integrated messaging

SECURITIES FINANCE PROJECT
- First new product development on new core platform
- MT527 messaging for Triparty Repo & Triparty Stock Loan
- MT558 & MT569 consumption
- Transition from single to multiple triparty agents
- New and updated underlying legal agreements
- Broader asset class schedules

SECURITIES LENDING DAY2 DELIVERY
- New module for fee capture and billing statements
- New collateral allocation workflows
- Increased collateral transformation functionality
- Onboarding of additional triparty agent

Treasury Operations

- Funding & Liquidity
- Rates Management
- FX&MM
- Derivatives
- Wholesale Securities
  - Long-term funding instruments
  - Short-term funding instruments
  - Fixed Income trading
  - Securities Finance
- Collateral Margining

TRIPARTY COLLATERAL SWIFT MESSAGING

AIB

AGENT 1	AGENT 2	AGENT 3
:16R:GENL	:16R:GENL	:16R:GENL
:28E:1/ONLY	:28E:1/ONLY	:28E:1/ONLY
:20C::SEME//11111111	:20C::SEME//11111111	:20C::SEME//11111111
:20C::SCTR//12345678	:20C::SCTR//12345678	:20C::SCTR//12345678
:20C::CLCI//11111111	:20C::CLCI//11111111	:20C::CLCI//11111111
:23G:NEWM	:23G:NEWM	:23G:NEWM
:98A::EXRQ//20240923	:98A::EXRQ//20240923	:98A::EXRQ//20240923
:22H::CINT//INIT	:98A::TRAD//20240923	:98C::PREP//20240917122007
:22H::COLA//REPO	:22H::CINT//INIT	:98A::TRAD//20240923
:22H::REPR//RECE	:22H::COLA//REPO	:22H::CINT//INIT
:13B::ELIG/EFGH/ABS	:22H::REPR//RECE	:22H::COLA//REPO
:16R:COLLPRTY	:22F::AUTA/CDEF/AUTO	:22H::REPR//RECE
:95R::PTYA/EFGH/12345	:16R:COLLPRTY	:13B::ELIG//1
:16S:COLLPRTY	:95P::PTYA//AIBKIE2DXXX	:16R:COLLPRTY
:16R:COLLPRTY	:97A::SAFE//SCH1100000123	:95P::PTYA//AIBKIE2DXXX
:95R::PTYB/EFGH/67890	:16S:COLLPRTY	:97A::SAFE//A123
:16S:COLLPRTY	:16R:COLLPRTY	:16S:COLLPRTY
:70E::CINS///FIXFLAGOVN	:95P::PTYB//ABCDEFGHXXX	:16R:COLLPRTY
:16S:GENL	:16S:COLLPRTY	:95R::PTYB/BDEF/4B5
:16R:DEALTRAN	:16R:COLLPRTY	:97A::SAFE//4B5
:98B::TERM//OPEN	:95P::TRAG//CDEFGHIXXXX	:16S:COLLPRTY
:19A::TRAA//EUR100000000,	:16S:COLLPRTY	:16R:COLLPRTY
:92C::PRIC/EFGH/ESTER	:16S:GENL	:95P::TRAG//IJKLMNOPXXX
:92A::RSPR//0,50	:16R:DEALTRAN	:16S:COLLPRTY
:22F::MICO//A004	:98B::TERM//OPEN	:70E::CINS///FRMT/2/BPTR/T/STTY/EGR/STDY/095
:16S:DEALTRAN	:19A::TRAA//EUR100000000,	/PRJM/LIVE/INTP/S/OPEN/Y/TRDATE/20240923
	:92C::PRIC//ESTR	:16S:GENL
	:92A::RSPR//0,50	:16R:DEALTRAN
	:22F::MICO//A004	:98B::TERM//OPEN
	:16S:DEALTRAN	:19A::TRAA//EUR100000000,
		:92C::PRIC//ESTREURON
		:92A::RSPR//50,
		:22F::MICO//A004
		:16S:DEALTRAN

STP CHALLENGES

Cross-agent variations in messaging formats complicates system configuration:

- Multiple minor differences to agent requirements for same information

- Differing level of underlying trade detail acceptance e.g. Evergreen structures

- Optional fields where omission creates non-standard default to agent instruction consumption

- MT558 messaging flows and lifecycle messaging logic

- MT569 consumption

- Additional formatting differences across Triparty Stock Loan instructions

TRIPARTY ACCOUNT MANAGEMENT

AGENT 1	AGENT 2	AGENT 3
Account framework optionality:	Account framework specificity:	Account framework specificity:
• Single/Multiple counterparty	• Accounts defined for counterparty, currency & schedule	• Counterparty & schedule specific accounts
• Alphanumeric eligibility sets	• Eligibility set designation not utilised	• Eligibility set designation in use
• Multiple deals settling to the same account	• Single transaction per account	• Single transaction per account
• Multiple products can settle to same account	• Product specific accounts	• Product specific accounts
• Account-specific or pooled cash settlement	• Cash settlement to pooled account	• Cash movement agreement between parties

CASH MANAGEMENT CONSIDERATIONS

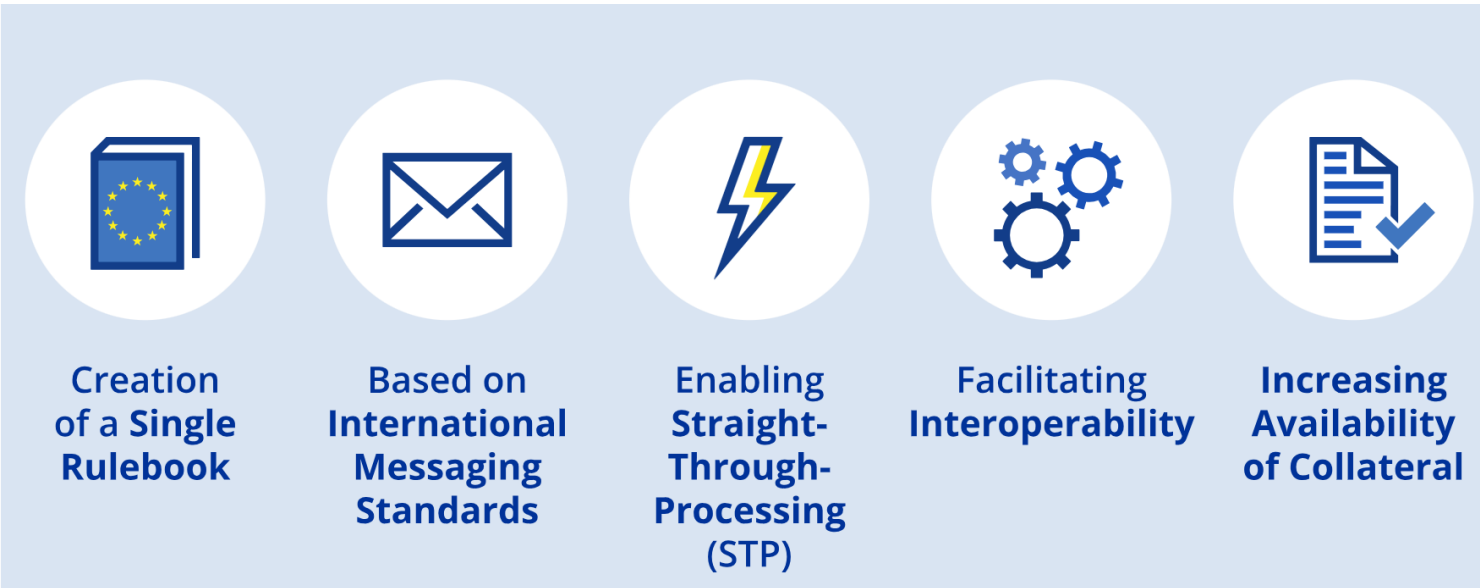| Scheduled Account Sweeping	Deal-specific funding
Intermediate interest treatment	

STATIC ARCHITECTURE

Goal is to create priority static matches to facilitate STP processing of trade instructions.

Cross-agent variations in account structures and related instruction requirements create increased system static "overhead":
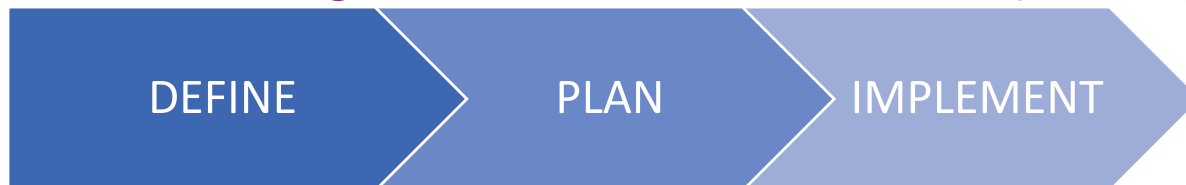
- Multiple static data filters to define prioritisation "pathways"

- Formatting for account specific instruction and auto-selection of available accounts

- Building for pooled and non-pooled transactions

- Additional complicating factors when counterparties are active across multiple agents/products

SCoRE – Single Collateral Management Rulebook for Europe

Creation of a Single Rulebook

Based on International Messaging Standards

Enabling Straight-Through-Processing (STP)

Facilitating Interoperability

Increasing Availability of Collateral

Source: European Central Bank https://www.ecb.europa.eu/paym/integration/collateral/html/index.en.html

Collateral Management Harmonisation Task Force (CMH-TF)

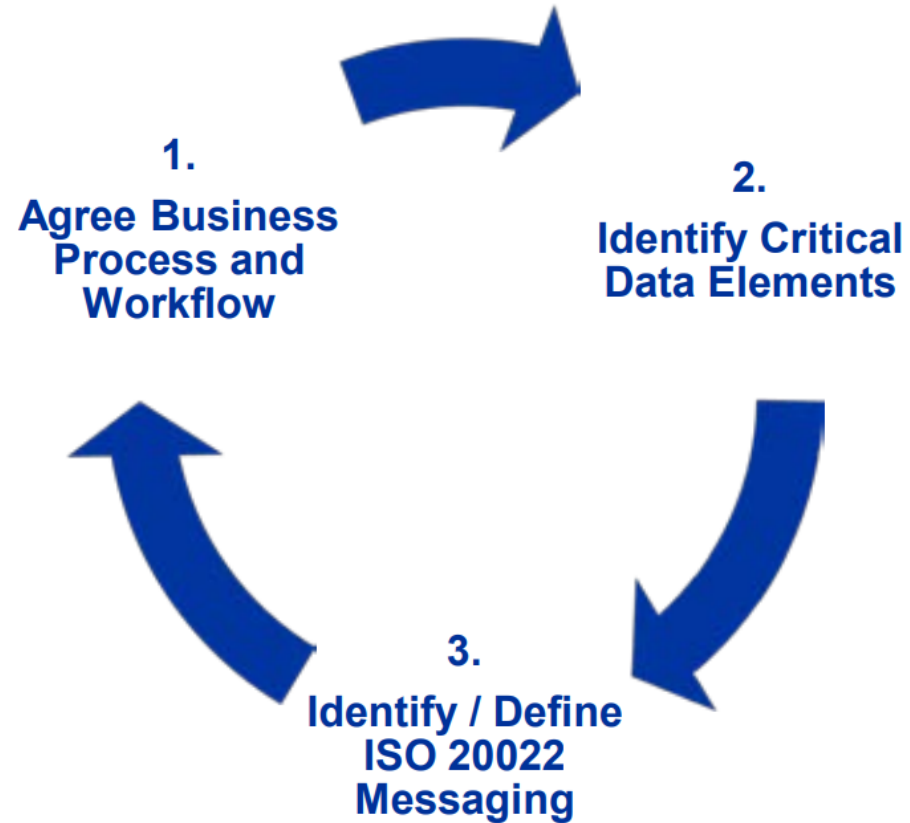DEFINE → PLAN → IMPLEMENT

AMI-SeCo Identified Areas

1. Triparty Collateral Management
2. Corporate Actions
3. Taxation Processes
4. Bilateral Collateral Management
5. Margin Calls
6. Billing Processes
7. Cut-off Times
8. Collateral Dynamic & Static Data
9. Sourcing of Collateral
10. Non-Eur Collateral

Benefits

- Increased Efficiency
- Lower Costs
- Interoperability
- Lower Risk
- Equity in Participation
- Increased Reach

SCoRE – Triparty Collateral Management

Harmonisation Approach

1. Agree Business Process and Workflow

2. Identify Critical Data Elements

3. Identify / Define ISO 20022 Messaging

Source: European Central Bank https://www.ecb.europa.eu/press/intro/publications/pdf/ecb.amiseco202106_tripartycollateralmanagement.en.pdf

BUSINESS PROCESS SCOPE

- Initiation of transaction
- Increase of transaction amount
- Decrease of transaction amount
- Valuation
- Cancellation
- Unilateral removal
- Reporting on stocks
- Reporting on flows
- Handling of cash proceeds
- Data exchange
- Closure of transaction

Triparty Counterparty Default Simulation

Scenario Testing

Objective is to embed stakeholder understanding of the practicalities of implementing default procedures and identify opportunities to improve the processes

Having the ability to dispose of triparty collateral in a timely manner upon a counterparty default is a key component of the securities financing credit risk profile.

Any delays in this process could result in a reduction in the value of the collateral and consequently an increased exposure to the defaulting counterparty.

Overview of Governance Steps:

- Initial Default Investigation
- Close-out Assessment
- Default Notice Issuance
- Trading Close-out
- Set-Off Notice

Operational Factors

- Collateral pool transfer in advance of disposal

- Internal ledger reflection

- Intermediate Corporate Action management

- Single/Multiple Brokers/Counterparties

- Potential settlement in markets and asset classes not regularly traded bilaterally

- Delivery Against Payment vs. Delivery Free

- Settlement in Base Currency vs. Domestic Currency

- Settlement Window

- Management of Residual Holdings

- Drive for (partial) automation for efficiency/timeliness