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Sapient Global Markets Survey Reveals Industry Desire to Evolve Collateral Management to a Front Office, Revenue Generating Function

Challenges remain around processing efficiency, counterparty bottlenecks and highly manual dispute management processes

BOSTON--(BUSINESS WIRE)-- [Sapient Global Markets](#), a division of Sapient (NASDAQ: SAPE), and leading global provider of business and technology services for the capital and commodity markets, today announced the results of a new survey it conducted which examines trends, issues and requirements for efficient collateral management across global market participants.

The research, conducted throughout March to ascertain how firms are managing and processing collateral, revealed three significant trends: evolution towards the front office, efficiency gains required to deliver increased automation and the systems and processes needed to support these substantial structural changes.

- **Front office evolution and generating revenue**

The evolution of collateral management business models, driven by new regulations and cost pressures, is leading many firms to view collateral management as a potential new revenue stream. While 66% of firms polled still view collateral management as a 'cost center', 39% plan to make collateral a profit center and use it to generate additional revenue. The increasing focus on collateral as an additional revenue stream is prompting a migration of optimization functions to the front office and will require significant changes to established processes and systems to enable firms to manage margin and risk calculations within compressed timeframes across all available collateral inventory pools.

- **Removing manual processes to increase cost efficiency**

Cost efficiency is one of the main drivers of change in collateral management, requiring more effective client communication, responses to margin calls, dispute management and settlement of non-cash collateral. However, most survey participants do not consider their dispute management processes to be efficient enough and regard their counterparties' processes as an area for improvement. Collateral booking, for example, is performed manually in more than 60% of firms due to the lack of standardization and automation in client communication. Increasing automation would lead to cost reduction in these functions and allow knowledgeable staff to be re-deployed.

- **Operational, architectural and processing requirements**

Increasing efficiency and removing internal bottlenecks is leading firms to examine transformation or optimization strategies to efficiently manage their collateral. Respondents see the value in creating a consolidated view of available collateral, however this will require changing their operating model, architecture and collateral management system, removing existing siloed approaches and establishing a centralized collateral management platform. This platform will need to consolidate the collateral management function across all asset types that are subject to collateral or margin and provide an entity-wide overview of all available and eligible collateral.

"To date, firms have implemented tactical solutions to meet specific regulatory mandates but as these regulations solidify they will begin to adapt more strategic approach in order to remain competitive," said Robert Binder, vice president at Sapient Global Markets. "An increase in STP rates through automation will be critical in order to stay competitive, especially as many of the firms surveyed expect the volumes of margin calls, transferred collateral, reconciliations and disputes to increase significantly."

To download a full copy of the survey results, please visit [Sapient Global Markets 2014 Collateral Survey](#)

About Sapient Global Markets:

Sapient Global Markets, a division of Sapient® (NASDAQ: SAPE), is a leading provider of services to today's evolving financial and commodity markets. We provide a full range of capabilities to help our clients grow and enhance their businesses, create robust and transparent infrastructure, manage operating costs, and foster innovation throughout their organizations. We offer services across Advisory, Analytics, Technology, and Process, as well as unique methodologies in program management, technology development, and process outsourcing. Sapient Global Markets operates in key financial and commodity centers

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