



strate

**STRATE | JSE
TRIPARTY REPO COLLATERAL MANAGEMENT
MARKET WORKSHOP**

22 JANUARY 2025

Agenda

1

Triparty repo overview:

- The need for triparty repos
- Service overview

2

Repo processing

- Repo processing
- Repo flow

3

Triparty repo participation

- Market testing
- Readiness

4

Closing remarks and fees

- Strate fee schedule
- Closing remarks

The need for triparty repos

- Enable funding through general collateral (GC) baskets
- Potentially greater transparency and insight on GC trading activity
- Fully-automated post-trade management by triparty agent eases administrative burdens:
 - automated inventory management,
 - substitution for any sales or corporate events
- Improve market liquidity and free up assets otherwise 'trapped' in bilateral transactions through a seamless substitution process
- Additional opportunity/use case for triparty ecosystem participants
- Advance our market to align to global best practices.

A proven track record in the secured interbank market

Total number of secured interbank trades settled Jan – Dec 2023	Total number of secured interbank trades settled Jan – Dec 2024
1,075	1,026
R3.609trn	R3.064trn

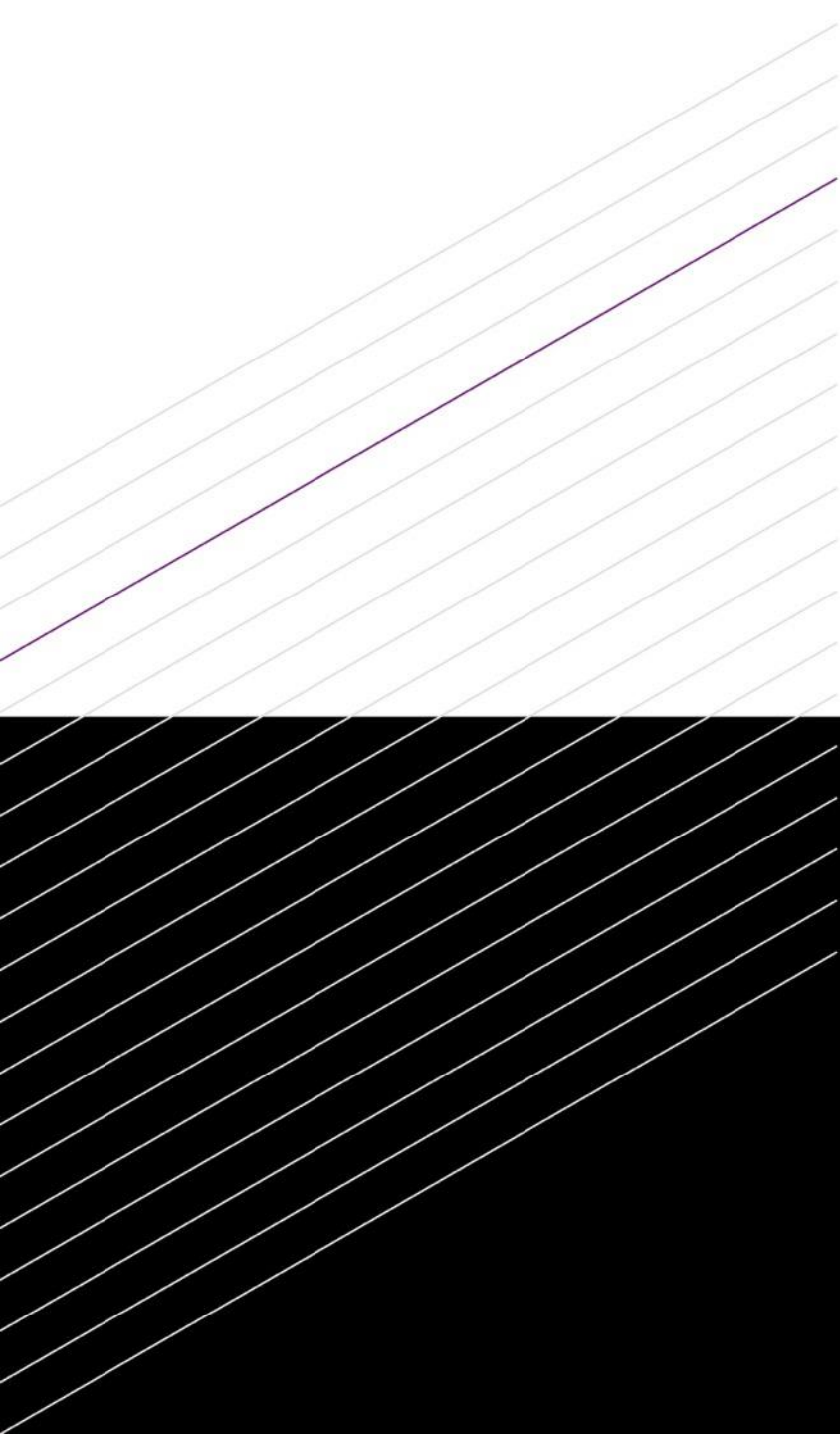
@Repo + 10bps	@Repo + 1bps	@Repo	@Repo – 1bps	@Repo – 2bps	@Repo – 5bps	@Repo – 10bps	@Repo – 15bps	@Repo – 25bps
7 trades (0.7%) R56m	36 trades (3.5%) R55.480bn	421 trades (41%) R1.215trn	3 trades (0.3%) R6bn	1 trade (0.07%) R2bn	25 trades (2%) R144.2bn	404 trades (39%) R1.570trn	101 trades (9%) R60bn	28 trades (2%) R11.670bn

**new interest bucket in 2024*

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*The total secured interbank transaction value to date now amounts to **R11.9 trillion**.*



TRIPARTY REPO SERVICE OVERVIEW

What does a triparty collateral agent (TPA) do?

1

Manages post trade functions, such as the automatic:

- selection
- allocation
- substitution
- optimisation
- ongoing compliance

in accordance with pre-defined eligibility criteria.

2

Acts only as an agent, does not change the relationship between the parties to the transaction.

3

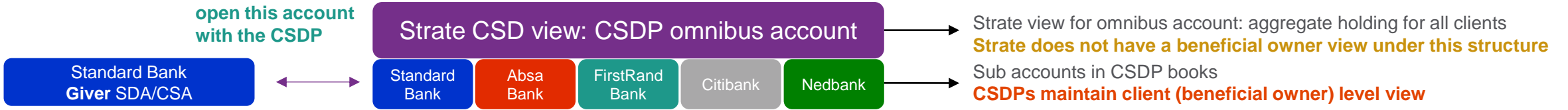
The parties set out their obligations in a legal agreement e.g., GMRA, CSA.

4

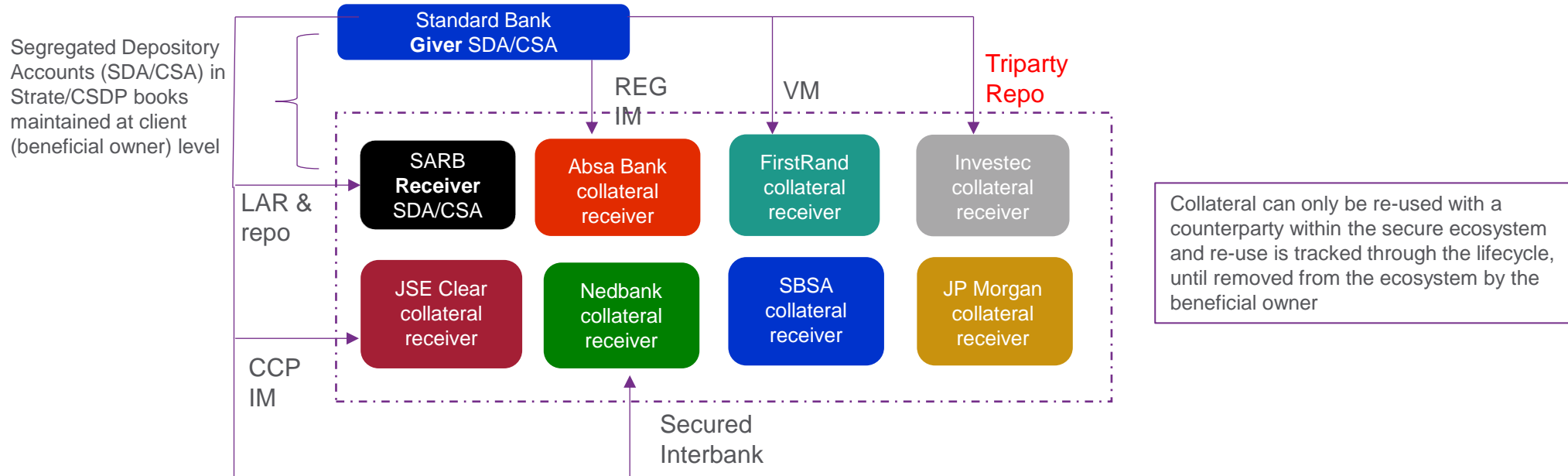
The triparty agent manages the obligations as set out in the legal agreement (through the eligibility process) but does not participate in the risk of the transaction.

SDAs for triparty collateral management

Standard Bank to open this account with the CSDP



Assets eligible for collateral are now visible to Strate TPA



Collateral source account options for seller (giver)

Separate collateral giver source account

- Manual intervention required for:-
- Sales and securities impacted by corporate events
- Transfer of eligible securities between trading and collateral accounts

TRADING ACCOUNT



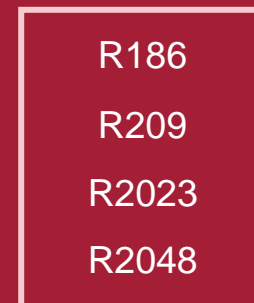
COLLATERAL GIVER

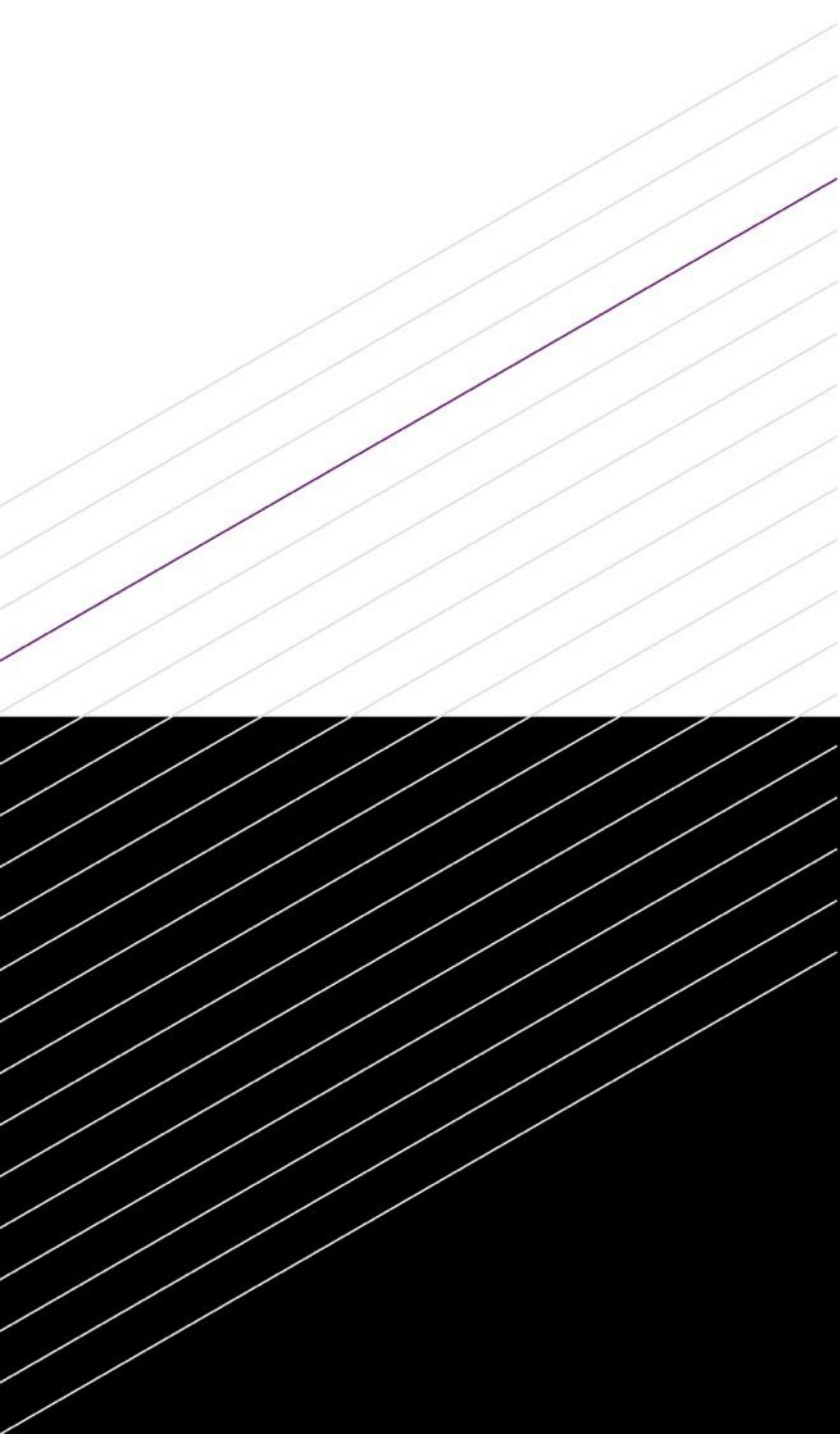


Single source account: trading and collateral

- No manual intervention required
- Automatic recalls and substitution for sales/corporate events
- Automatic eligibility check

TRADING & COLLATERAL GIVER



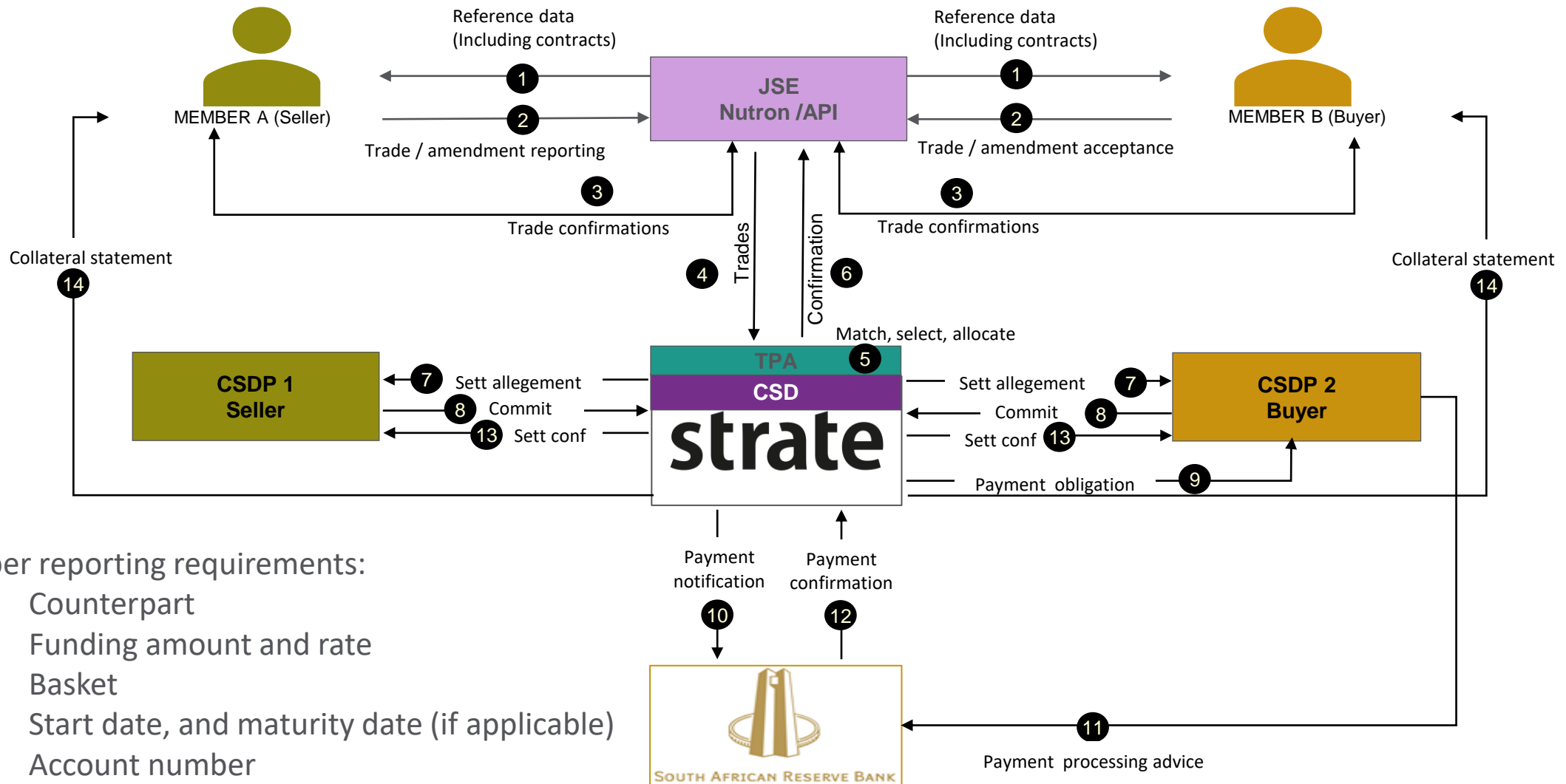


REPO PROCESSING

Principles

- This Nutron triparty repo service is only applicable to transactions concluded under GMRA. Clients can act as seller (giver) or buyer (receiver) or both
- Requirements to be fulfilled prior to transacting
 - Clients must be onboarded on the Strate platform
 - Static data setup at JSE: Basket reference, seller & buyer codes, member & client codes, account number
 - Contracts agreed between counterparts and set up by Strate and JSE
 - Eligibility criteria agreed between counterparts and set up by Strate
- The seller (collateral giver) must ensure that sufficient eligible assets are available at all times to cover exposures.
- Securities can only be re-used within the triparty ecosystem – *therefore we must grow this ecosystem to maximise the opportunities available to all participants*

Triparty repo process flow

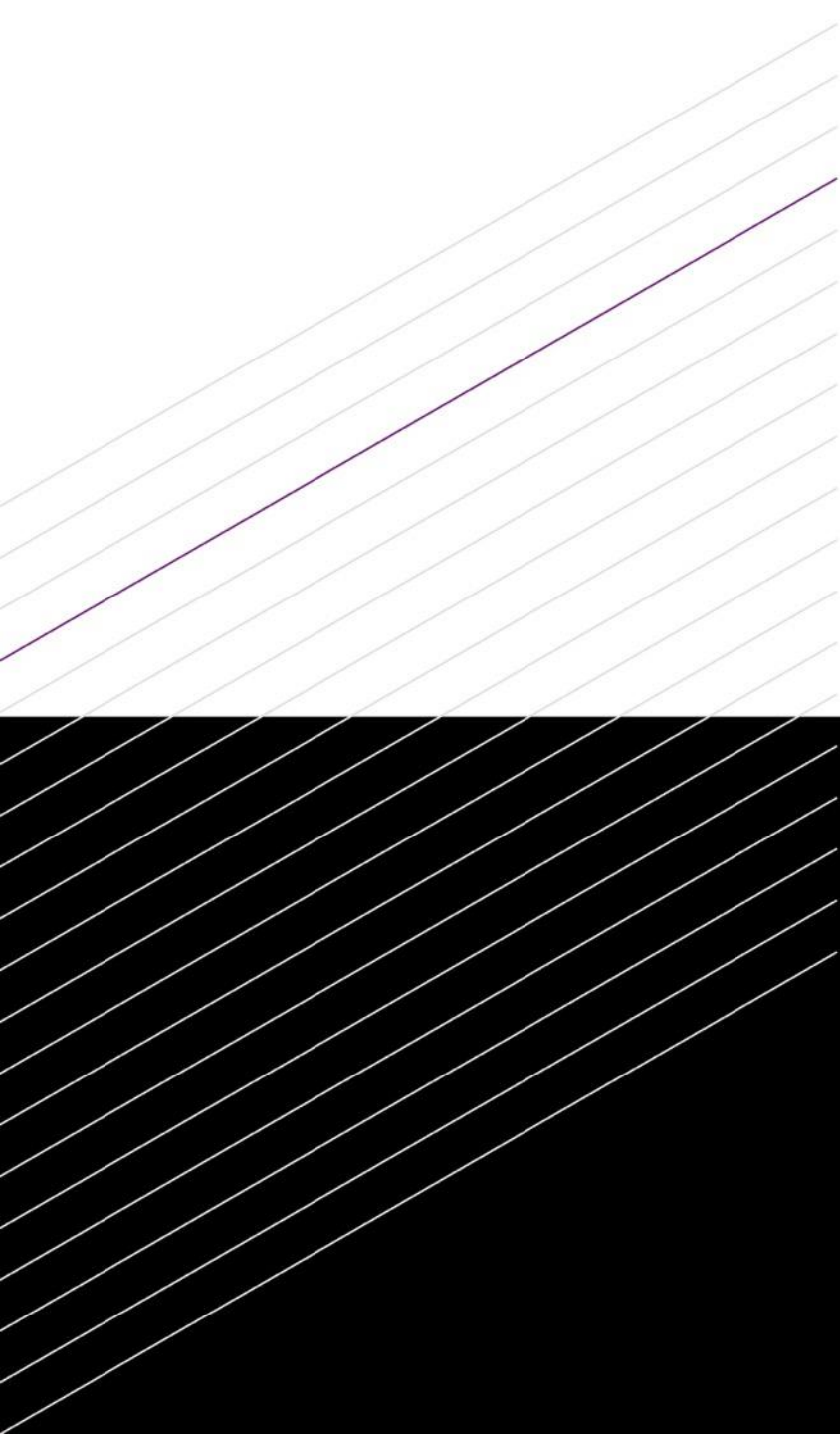


Member reporting requirements:

- Counterpart
- Funding amount and rate
- Basket
- Start date, and maturity date (if applicable)
- Account number

Triparty repo processing

- Repo opening
 - No cancellation once repo is matched and reported to Strate
 - Exposure reference stays the same throughout the lifecycle of the exposure
 - Exposure reference must be unique for each exposure
- Amendments (exposure reference stays the same during the lifecycle of the exposure)
 - Principal amount
 - Rate
 - Change / add closing date
- Types of repo
 - Term (includes closing date)
 - Open ended (no closing date)
- Settlement cycle
 - T+0 for settlement, reporting can be T+n
 - Reporting/commit will conform to existing T+0 timeline

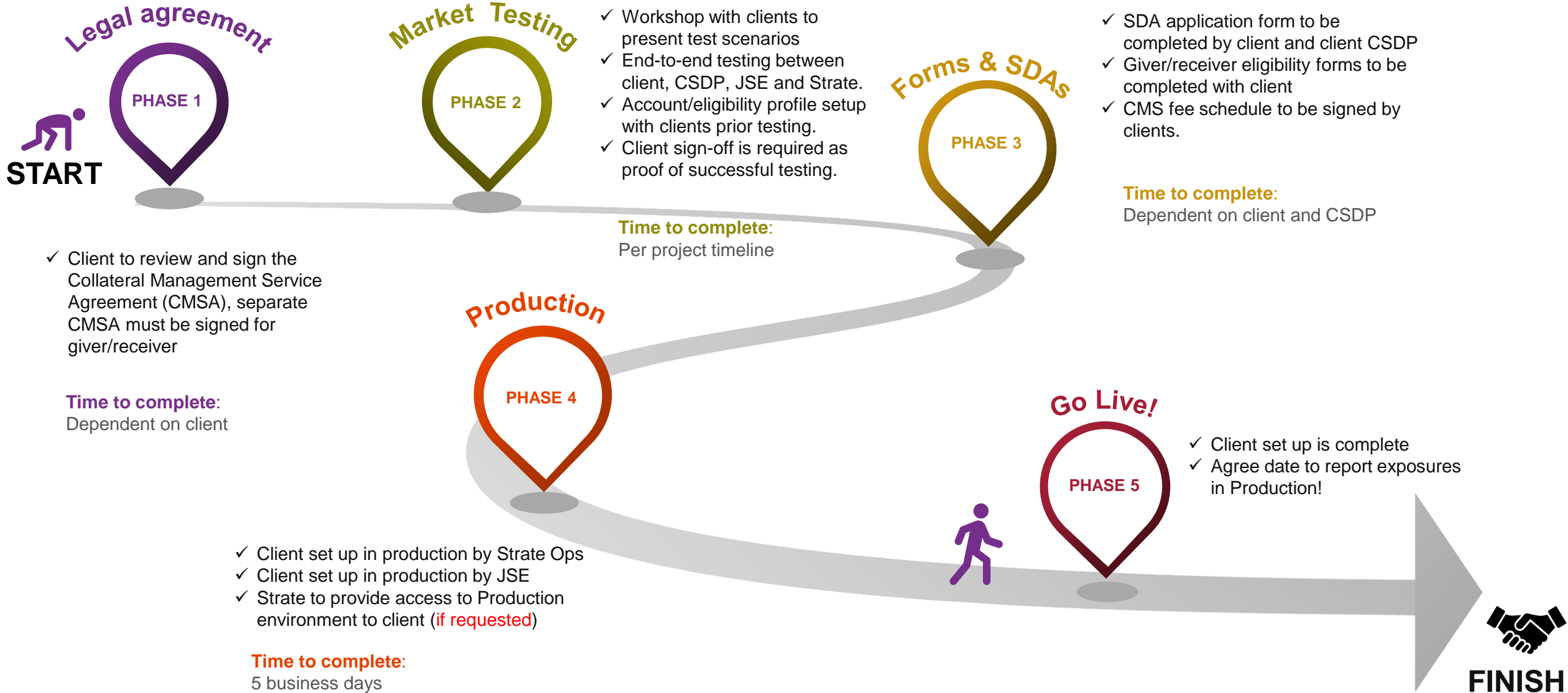


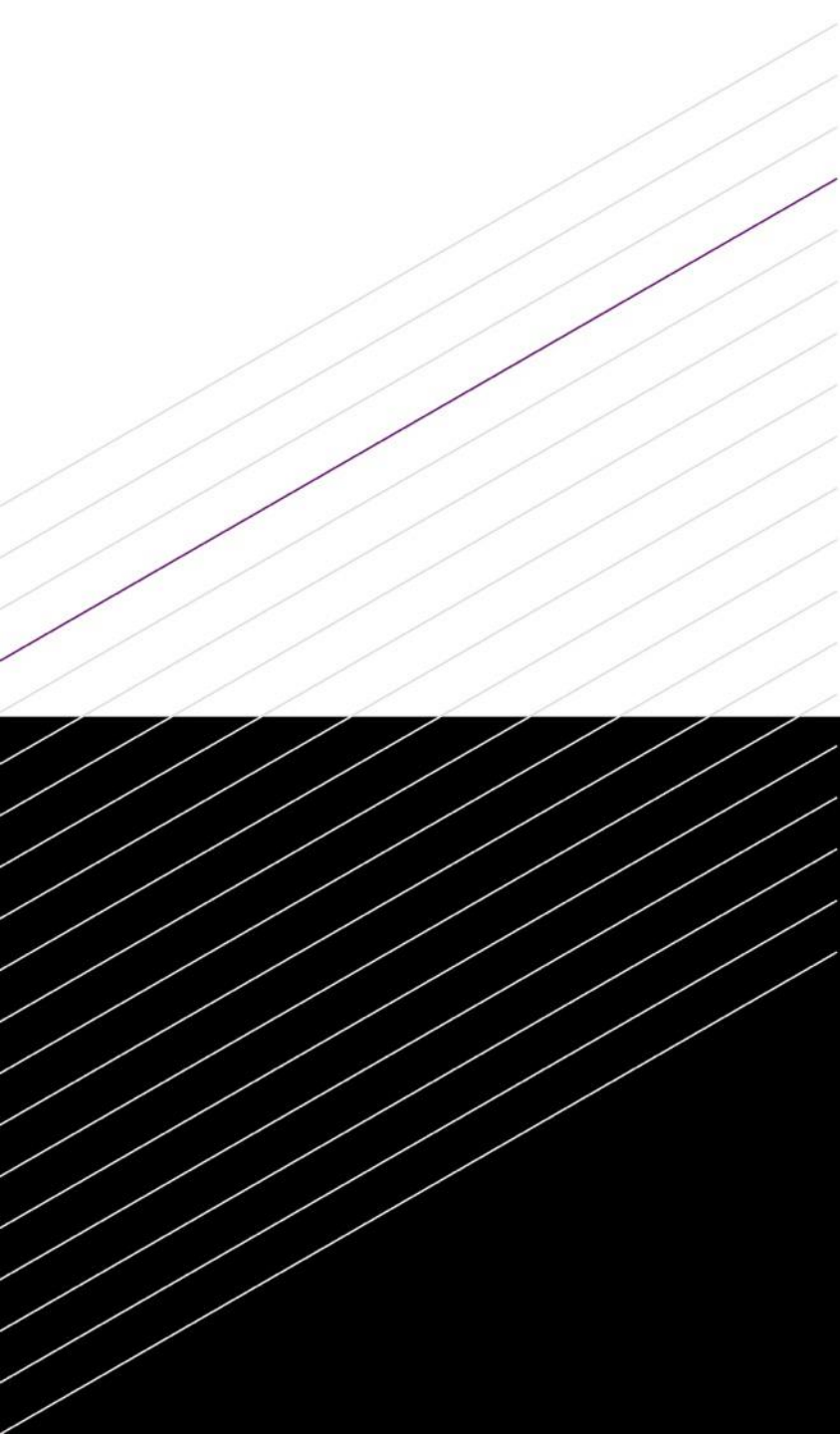
TRIPARTY REPO PARTICIPATION

Market testing for triparty repo

- Market test pack
 - Market meeting to discuss test cases
 - Clients can add additional test cases
 - Cover four cycles during testing
- Exposure reporting
 - JSE via SWIFT
- Client profile setup
 - Profiles to be created for new clients
 - Contract setup (agreements)
 - Eligibility criteria
- Account setup with the CSDP (custodian)
 - Segregated depository accounts (SDAs)

Onboarding timeline – for production





CLOSING REMARKS AND FEES

Pricing for scale and accessibility

- Pricing for the service is based on the daily value of assets under management (AUM)
- *Sellers (collateral givers) bear the cost* as they have the benefit of leveraging and mobilising assets to raise cash – see tiers
- This cost could potentially be *offset by a lower cost of funding*, greater efficiencies through *automation*, greater *retention of HQLA* through collateral *optimisation* across all contracts
- Dispensation for repo desks – 1bps flat fee
- Tiers are designed to *encourage scale and higher levels of utilisation*
- *JSE fee to be confirmed*
- ***Early adopter's dispensation: no Strate fees applicable from go-live to 1 September 2025.***
- Our intention is to *connect the ecosystem* and make it accessible for SA Inc.

Daily collateral AUM	Bps per annum (excl. VAT) Collateral giver	Bps per annum (incl. VAT) Collateral giver	Collateral receiver
Under R10bn	2.75	3.16	0
Over R10bn	2.2	2.53	0
Over R20bn	1.75	2.01	0
Over R30bn	1.4	1.61	0
Over R40bn	1.1	1.27	0
Over R50bn	0.9	1.04	0
Over R60bn	0.7	0.81	0
Minimum fee per contract	R1,400.00	R1,610.00	0
Intragroup movements	1	1.15	0
Repo and Lending desks	1	1.15	0
Cash administration fee	0.1	0.115	0
CSD settlement fee: pledge	R21.29	R24.48	R21.29/24.48
CSD settlement fee: cession	R15.41	R17.72	R15.41/17.72

Example: Client 1 enters into a 3-day collateralised loan of R5bn with Client 2, and this is collateralised by 3 government bonds provided by Client 1 to Client 2 as an outright transfer.

Client 1, as the collateral giver, will be charged:

- a *platform fee* of R3,767.12 per day (R5bn*2.75bps/pa for 3 days) and
- a *CSD settlement fee* of R15.41 per bond, upon the initial transfer and again upon the closure/return, as well as for any additional securities transfers that might be needed as a result of the daily mark-to-market process or substitutions.

Client 2, as the provider of cash and receiver of collateral, will only be charged the CSD settlement fees described above.

Recap of benefits of using Strate's triparty repo service

- Strate will manage all post trade functions, such as the:
 - *Automatic selection of securities*, based on predefined eligibility rules/GC basket
 - *Security allocation and funding messages* to CSDP's (no manual intervention required from clients)
 - Automated *daily mark-to-market process covered in securities*, freeing up cash and reducing administrative burden
 - *Automatic substitution* for securities impacted by sales and corporate events
 - *Daily collateralisation of interest obligation in securities*, reducing risk for term or open repos
 - *Optimisation* across all contracts and obligations managed within the triparty ecosystem
 - Ongoing compliance to *pre-defined eligibility* criteria
 - *Secure, traceable use and re-use* of securities within the triparty ecosystem, but the beneficial owner maintains the right to sell securities at any point in time

Building a sustainable triparty repo ecosystem

1

Support market advancement by leveraging the infrastructure developed for this purpose

2

Engage other market participants who may not be aware of this capability

3

Participate in market testing to assess the value and benefits to your organization

4

Help us to *grow the triparty repo ecosystem* to maximise opportunities for all participants

5

Reach out to us for a *one-on-one engagement*, if needed.



LET'S ENGAGE

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