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of posting collateral to the CCPs is, as a clearing member,” Mariam says. “Everyone has different ways of doing it. Many of the major CCPs require securities movements to be plugged into a GUI manually. This is not strategic.”

Mariam explains that the fact that Baton was building out broad-based connectivity via CCP APIs was very attractive to Citi, reducing as it did the need for Citi to build out individual CCP connectivity and allowing the bank’s collateral team to move much more seamlessly.

“We are seeing real efficiencies of scale,” she says, “with Baton able to bring more and more CCPs on board as other FCMs realise the benefits of their connectivity.”

### Simplifying Collateral Movements

Transparency in terms of both sources and uses of funding, Mariam says, is another element of Citi’s collateral strategy. “We partnered with Baton to integrate with our custodians as well,” she explains, “and to build out real-time functionality on what our long boxes held. This is a new development in the industry.”

Baton was able to reflect the contents of Citi’s custodian long boxes by updating SWIFT messages throughout the day so that the firm knew what was being held at any given time. This is a significant departure from the industry standard method of relying on start-of-day snapshots.

“It allows us to be much more nimble about using client collateral on an intraday basis,” Mariam says.

Citi saw how Baton’s technology also helped to simplify the firm’s collateral movements to foreign CCPs where previously a number of ‘hops’ were required in order to navigate multiple legal entities, time zones and cutoffs.

“We found that the functionality Baton offered fit nicely with the business objectives we wanted to achieve”, Mariam explains.

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### Reducing Funding Needs

Mariam goes on to say that last year’s market volatility showed that operational friction can drive a lot of inefficiency in funding. “On the one hand you have market stresses requiring increased outlays of funds,” she says, “but operational noise can also magnify that effect. The fact that we can now reflect our sources and uses of collateral in real time allows us to move securities

**“The Baton rollout has helped us to utilise customer assets more efficiently.”**

more quickly and eliminates the need to borrow to cover customer margin requirements that are already covered. These things have yielded very tangible benefits in terms of reducing our funding needs, even when the markets are more volatile.

“We hold a huge amount of customer assets. The question is how we utilise those assets most efficiently and move them rapidly over to the CCPs. The Baton rollout has helped us facilitate that.”

Finally, Mariam explains that Citi is partnering with Baton to build out an optimisation algorithm that is integrated into the firm’s holistic collateral management system. “This is going to be incredibly important,” she says. “As more and more people post collateral, the CCPs are charging fees that vary between different venues. This adds an additional layer of complexity, so integrating the Baton optimiser into our overall inventory and movement process is another way for us to reduce our costs to third parties.”

## **About**

Mariam Rafi is Global Head of Financial Resource Management for Citi’s Futures, Clearing and FXPB division in New York. Prior to joining Citi in 2011, she spent nine years at Deutsche Bank.

Mariam holds an MBA and BSc. in Economics from The Wharton School of the University of Pennsylvania.