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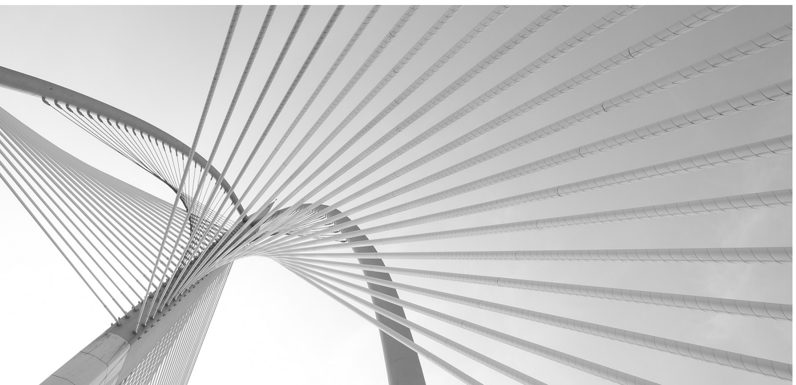
# Case study: Leading Australian bank rethinks collateral management in core banking with Broadridge



## Introduction

In today's demanding banking environment, financial institutions are recognizing the need to rethink traditional, siloed approaches to banking book collateral management. Business segments — from retail to institutional lending — have historically relied on bespoke, disparate systems, leading to inefficiencies and increased operational complexity and risk. Fragmentation hinders scalability, increases costs, and complicates regulatory compliance. By recognizing the need for change, banks are embracing a unified approach to managing banking book collateral as they look to centralize data and enhance decision-making, operational agility, and strategic alignment across the bank.

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## The problem

The traditional approach of managing banking book collateral within individual business silos was becoming increasingly complex for the bank. Each business unit, from retail to institutional lending, had operated with individual, bespoke systems tailored to their specific needs. This fragmented structure not only led to operational inefficiencies and inaccuracies, but also resulted in elevated costs, due to the duplication of efforts across the organization. The complexities of maintaining multiple systems made it difficult to scale operations effectively and hindered the bank's ability to respond appropriately to market changes and regulatory demands.

Moreover, the absence of a unified source of truth for banking book collateral compounded the challenges faced by the bank. Each business unit operated on its own version of credit and collateral data, resulting in discrepancies and inconsistencies that further exacerbated inefficiencies.

Beyond the collateral itself, the bank struggled with the lack of a comprehensive system to manage and understand the intricate relationships between collateral, credit lines, and customers, particularly in the case of complex and cross-collateralized loans, where multiple entities and arrangements were involved. Without an optimized, holistic view, the bank faced significant challenges in ensuring accuracy and coherence in its collateral management processes.

Meanwhile, the bank's regulatory landscape was dramatically changing, requiring them to demonstrate collateral lineage in much greater detail. This required increased transparency and accuracy in data management and the ability to demonstrate the multifaceted relationships between collateral, credit, and customers. No single system in the bank's existing framework could provide the detail, linkages, and accuracy required by the regulator — resulting in increased risk and significant potential compliance issues. The need for an integrated, enterprise-wide solution was clear, setting the stage for a transformative shift in the bank's approach to banking book collateral management.

As a result, the bank set about modernizing its banking book collateral management system. This initiative, undertaken in response to guidance from the banking regulator, underscored the need for an integrated, horizontal solution that could holistically serve all relevant business segments and jurisdictions. To achieve this, the bank sought a flexible, scalable system that would serve as the centerpiece of their new strategy. Following a detailed selection and due diligence process, the bank selected COLLATE, Broadridge's banking book collateral management solution.

## The solution

By choosing COLLATE, the bank was assured of a platform capable of managing a wide range of diverse collateral types across multiple lending sectors and jurisdictions.

COLLATE is a dedicated enterprise platform that unifies collateral management across the bank. It is engineered to scale with the bank's growth and easily adapt to changing regulations. COLLATE enables the bank to accommodate the nuanced needs of its retail, business, commercial, and institutional businesses, ensuring a seamless operational flow between these segments.

Sophisticated credit relationship management was a cornerstone of the bank's requirements. COLLATE enables a single, golden source for all of the intricate relationships and linkages between customers, credit lines, and collateral. With COLLATE, the bank ensures seamless data integration and synchronization across the credit ecosystem. This holistic approach supports real-time accuracy and efficiency in collateral management and eliminates the need for complex data stitching processes and manual intervention.

At the same time, the bank also undertook a strategic organizational realignment to support its new centralized service model. By creating a collateral management Center of Excellence, the bank was able to shift its focus from solving issues within isolated business units to addressing collateral challenges at a firmwide level. This realignment not only enhanced operational coherence but also paved the way for significant cost reductions and efficiency gains.

## The results

The shift to a unified collateral management system has already yielded substantial benefits across the bank. Improved data quality has strengthened the bank's regulatory reporting capabilities, enabling compliance with requirements, freeing up capital, and reducing its Risk Weighted Assets Ratio. This, in turn, translates to considerable savings in funding costs, providing a direct financial advantage.

Treasury at the bank can capitalize on better collateral data quality and an increased securitization pool. This has the potential to generate additional revenue streams and optimize the bank's balance sheet management strategies.

Operational processes are also improved, with enhanced data capture methods significantly reducing error remediation costs. Operational savings reflect the bank's commitment to precise and efficient processes, minimizing resource wastage and promoting sustainable operational practices — all driven by the new collateral management solution.

The bank's phased implementation approach has also realized success in its initial twelve months. A new digital banking service has been launched, utilizing the project's centralized collateral management backbone. Subsequent phases are set to extend these benefits to the bank's retail and commercial segments, with plans to eventually integrate its institutional and international operations.

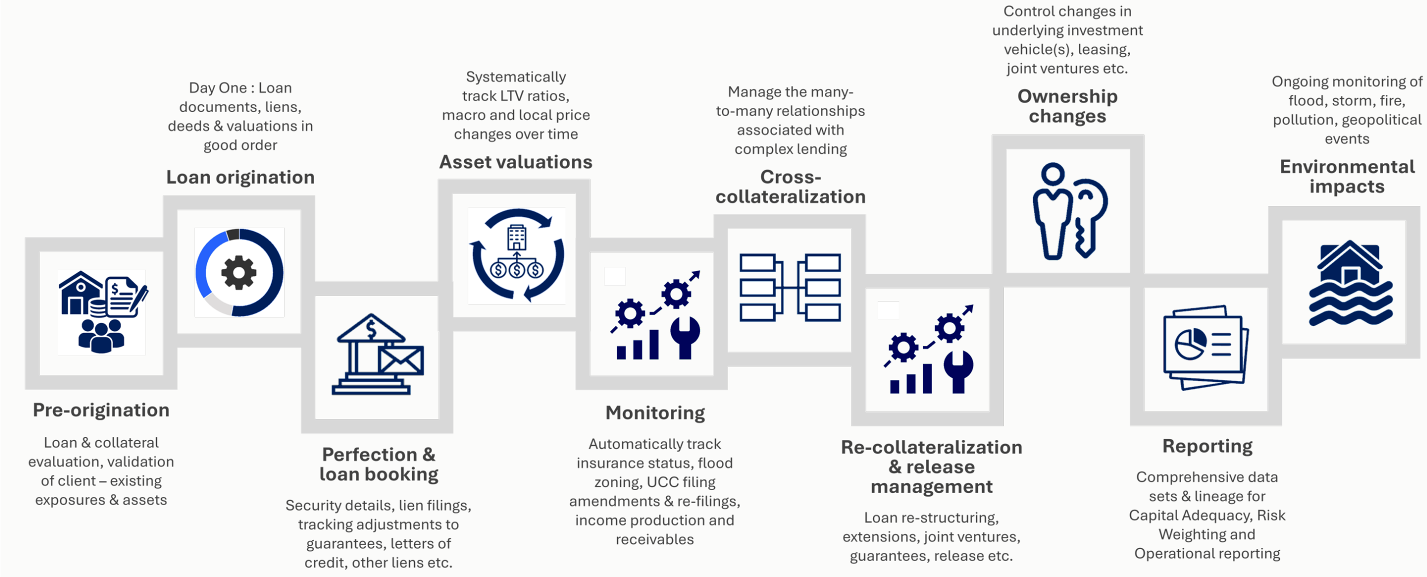
By leveraging this strategic transformation, the bank has established a new standard in collateral management, achieving streamlined operations and aligning its strategic objectives with modern banking requirements and regulatory expectations. This transition not only addresses its immediate operational challenges but also positions the bank for sustainable growth and innovation into the future.

## Conclusion: Delivering a new standard in collateral management

In today's demanding banking landscape, it's essential for institutions to rethink the use of bespoke software tailored just for individual business segments or jurisdictions. It is no longer viable for banks to serve the nuances of their different credit businesses with siloed systems. When it comes to collateral management, a unified approach across the bank is paramount.

Banks need to present a unified view of the entire credit ecosystem — this requires a single, cohesive system that efficiently serves all segments within the banking book and delivers consistency, reliability, and efficiency.

## How COLLATE adds value across the full loan lifecycle




A robust collateral management system should perform critical roles across all business areas, including:

1. Serving as the system of record for all collateral types within the bank,
2. Acting as the cohesive link connecting collateral with credit and customer relationships through all stages of the loan lifecycle, and
3. Facilitating seamless integration, and enabling quick and efficient data exchange across the organization.

Our client recognized these needs and adopted COLLATE as the solution to address all of its collateral management needs cost-effectively. It has transitioned from an environment of disparate, fragmented systems to a scenario where collateral is managed as a bank-wide asset, in the process unlocking numerous strategic advantages and efficiencies.

By adopting an integrated approach, the client has streamlined operations, reduced costs, and now maintains a robust system of record for all collateral-related activities. It has established a new standard in collateral management that sets it apart with modern banking and regulatory requirements.

Broadridge Financial Solutions (NYSE: BR) is a global technology leader with the trusted expertise and transformative technology to help clients and the financial services industry operate, innovate, and grow. We power investing, governance, and communications for our clients – driving operational resiliency, elevating business performance, and transforming investor experiences.

Our technology and operations platforms process and generate over 7 billion communications per year and underpin the daily trading of more than $10 trillion of securities globally. A certified Great Place to Work®, Broadridge is part of the S&P 500® Index, employing over 14,000 associates in 21 countries.

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