

Distributed Ledger Repo enters its next phase

After reaching a new milestone, Broadridge's head of digital innovation for capital markets Horacio Barakat says the firm's blockchain-enabled DLR platform will continue to expand to new use cases and trade types as it enters the next phase of rollout. Carmella Haswell reports

A blockchain-enabled Distributed Ledger Repo (DLR) platform, designed and launched by Broadridge Financial Solutions, reached a new milestone in early April with the execution of its first cross-border repo trade. This transaction was conducted between Switzerland-based investment bank UBS and an unidentified global Asian bank. It marks the beginning of the next phase in the rollout of DLR.

Celebrating this event, Broadridge's head of digital innovation for capital markets Horacio Barakat believes DLR will continue to lead the digitisation of the global repo market, simplifying processes, increasing collateral mobility and reducing risk for counterparties.

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Horacio Barakat
Head of digital innovation for capital markets
Broadridge

With the launch of this repo solution in June 2021, DLR users executed US\$25 billion in average daily volume on the platform in its first week. Built on Broadridge's fixed income trade processing platform, the DLR service employs Daml smart contracts from Digital Asset and distributed ledger platform VMware Blockchain.

DLR is designed to provide a single platform where market

participants can agree, execute and settle repo transactions. The underlying securities remain immobilised in users' custody accounts, while transfer of ownership takes place via smart contracts on the distributed ledger platform.

This offers lower costs in repo transactions, including intraday, overnight and term repos, on a bilateral and an intracompany basis, while reducing counterparty risk and strengthening the audit trail across the trade lifecycle.

A number of clients, including Société Générale, have been welcomed onto the platform since its go-live, with others in the process of onboarding.

According to Barakat, the platform's success can be attributed to the flexibility of its smart contract functionality, which allows Broadridge to deliver greater efficiency for a range of repo flows including intracompany transactions, sponsored repos, bilateral and intraday.

The simplicity of DLR has also contributed to the platform's success. It operates using existing market infrastructure and regulatory frameworks for processing collateral and cash, says Barakat, such that DLR is just another technology implementation in clients' technology stack.

The benefits are three-fold. First, DLR is designed to increase operational efficiencies through the use of smart contract and digitisation, thereby reducing operating costs primarily by eliminating the need for reconciliation between counterparties and reducing clearing and settlement costs.

Second, the front-to-back digitisation of the entire repo workflow, from execution through settlement, offers greater collateral mobility, enabling collateral to be used when and where it is most needed. Additionally, DLR aims to improve firms' ability to manage their liquidity requirements intraday.

Expansion across borders

The DLR roadmap has been constantly evolving. Initially, Broadridge focused on repo transactions in the US treasury market, given the size of this market and Broadridge's ability to make a significant impact through this channel.

DLR has now expanded into other types of trades including cash trades, pledge, borrows and collateral upgrades. "We are also expanding to other markets, with our recent cross-border intraday trade being the first step towards that. We believe that European and Asian markets will be a key driver of growth for DLR," Barakat states. "Our ability to support a wide variety of transactions via our smart contract technology has proven critical in our initial platform success."

Intraday repo allows firms to manage their intraday liquidity more efficiently, providing another source of funding for firms during the day

and enabling financial institutions to manage their cash deficits more cost-effectively. "In supporting cross-border repo trades, this helps to bridge counterparties' different time zones and to maximise utilisation of their cash and collateral," he says.

As Broadridge's recent DLR milestone marks the next phase in its rollout, Barakat expects the platform to evolve and expand to add new use cases and trade types, taking advantage of the flexibility of DLR and simplicity of the onboarding process.

He explains: "Since the very beginning, DLR is a product driven by market participants. From the early proof of concepts (POC) and pilots, we closely co-innovated with our clients to design the product and its functionality to ensure that DLR solves critical and meaningful pain points for the industry. We continue to be true to this guiding principle — and our clients' ideas and requirements are a key driver of DLR's roadmap and the next phase in its evolution." ■



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