

Transforming Collateral Operations with Atoti: A Case Study of Erste Digital

Erste Digital is part of Erste Group Bank AG, one of the largest banking groups in Central and Eastern Europe with more than 2,500 branches and over 45,000 employees. With top notch technology, Erste Digital and its 2,000 IT experts, drive the realization of Erste Group's vision: To provide human banking in digital times, and to build Financial Health for over 16 million customers in the CEE region.

Introduction

Erste Group was striving to overcome challenges in optimizing their collateral trading operations. To enhance efficiency and profitability while maintaining compliance with regulatory standards, Erste Digital adopted Atoti's Collateral Optimization solution for Erste Group.



Enhancing Efficiency and Profitability:

The primary objective was to enhance profitability by providing liquidity to financial counterparties while keeping costs low. This required a careful balance of liquidity ratios and capital costs. Success was measured through profitability, efficient liquidity management, and adherence to regulatory requirements.



Assessing Quality and Liquidity:

To ensure the quality and liquidity of collateral assets, Erste Group used Bloomberg and their internal credit risk system. Key considerations included issuer ratings, HQLA levels, and ECB eligibility. These assessments ensured that only high-quality collateral was used in transactions.



Optimizing Collateral Strategies:

Erste Group traded various types of collateral, including collateral downgrade business, operating in both the bilateral market and via triparty and specials business. Decisions regarding collateral strategies, allocation, and selection were influenced by factors such as profitability, liquidity management, and credit risk.



Daily Operations and Atoti's Role:

Consideration of all relevant factors was a challenge in the daily trading operations. Atoti provided a modern user interface for traders, enabling access to dashboards and liquidity reports. The Atoti Python API allowed the Collateral Trading unit to autonomously create custom dashboards, modify the user interface, and implement new data analytics features. This robust solution supported efficient and economical liquidity management and collateral usage across the group.



Enhancing Risk Management and Cost Efficiency:

Atoti's Collateral Optimization solution significantly contributed to risk management and cost efficiency. It provided the tools needed to balance risk mitigation with collateral costs, especially in the face of regulatory changes such as the EMIR Margin Rules and liquidity ratios.



Ensuring Regulatory Compliance:

Erste Digital together with Erste Group closely monitored regulatory requirements to ensure compliance with internal policies and external regulations governing collateral management and trading activities. They proactively anticipated the impact of regulatory changes on their strategies and operations, particularly concerning liquidity ratios and securities financing transactions.



Preparing for Future Trends:

Looking ahead, Erste Digital and Erste Group recognized the importance of digital transformation in collateral trading. Increasing STP rates in trade capture and processing was identified as critical to reducing operational risk. Near-time inventory data and connectivity with trading platforms were seen as essential for future growth.



Collaborative Approach during the Implementation Project:

The project was completed in record time (6 months) with significantly less code compared to the previous Java application.

Using Atoti Python API enabled the business to seamlessly implement its metrics on top of the Atoti framework, designed by the IT team, in an agile manner. The project was delivered on time and within budget, leading to swift and efficient adoption.

A novel collaborative approach was key to this success: the business team wrote the business logic while the IT team managed the infrastructure, data loading, and security. This was only possible because the Atoti Python API allows businesspeople to write complex business logic in almost lay terms, with simple functions and minimal parameters.

This innovative approach cut through the traditional cycle of specifications, coding, and testing, contributing to the exceptionally fast turnaround. This is how ActiveViam envisioned the Atoti Python API would benefit clients, and we believe this is the way forward.



Atoti's solution enables us to provide optimized collateral trading operations for Erste Group. We always strive to deliver the best-in-class and I am pleased to say that we have found such a service in Atoti.

Ekkehard Preis
Managing Director
Erste Digital



We have now a robust solution in place which we can develop further in order to support efficient and economical liquidity management and collateral usage across the group.

Danijela Lukic
Head of Collateral Trading
Erste Group



Learn how Atoti's Collateral Optimization solution can enhance your collateral trading strategies and operational efficiency.

Contact us today to schedule a demo.

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