

# Unlocking new sources of liquidity

## Gain efficiencies with Venturi<sup>SM</sup> by State Street

### Discover how an investment firm achieved higher yields<sup>1</sup> through our peer-to-peer (P2P) repo offering.

Market volatility and changing interest rates have underscored the necessity of easily accessible liquidity for buy-side market participants. The repo market allows for the temporary conversion of securities into cash without the need for an outright sale, serving as an important source of liquidity — and collateralized cash investment — for a range of buy-side and sell-side financial institutions.

Our P2P platform, [Venturi<sup>SM</sup>](#), streamlines repo financing and investment for buy-side participants and provides new liquidity opportunities by removing intermediaries and directly connecting participants. The result is greater transparency and reduced counterparty credit risk through our strong credit intermediation. By offering expanded optionality, Venturi looks to broaden participation from a diverse set of cash investors and borrowers (e.g., money market funds, hedge funds, asset managers, asset owners, insurers, etc.).



Venturi serves as a liquidity provider in repo markets



Our platform helps you connect with eligible borrowers and invest cash to meet your goal of generating yield



Our next-generation financing structure departs from the traditional “dealer-to-client” repo model



Venturi streamlines repo financing and investment for buy-side participants and provides new liquidity opportunities

<sup>1</sup>Relative to traditional dealer-intermediated repo.

**To better highlight the role Venturi plays as a liquidity provider in repo markets, we studied the experience of a large investment firm (“the Fund”) who utilized Venturi as a cash provider and outlined the benefits of leveraging our P2P platform.**

### **Understanding client goals**

To build a successful partnership, it was necessary to understand the Fund’s goals. They were looking for opportunities for incremental yield, with the added caveat of adhering to their strict risk and investment requirements. Our Venturi platform would help them connect with eligible borrowers and invest their cash to meet their goal of generating yield.

To help give the Fund an overview of how Venturi could enable them to meet their goals, we demonstrated how to create indications of interest, negotiate trades and construct collateral baskets on the platform.

### **Tailored client engagement**

Our P2P model, powered by Venturi, is a next-generation financing structure that departs from the traditional “dealer-to-client” repo model. As a result, our discussions with prospective clients tend to initially focus on the benefits of the P2P model, relative to the dealer-to-client model. Given the broad range of eligible participants, firms can require different levels of socialization to inform their requisite management, risk and legal departments. We engage closely with prospective clients — whether it be traders on the desk or risk managers — to discuss the nuances of our P2P product and Venturi’s role in supporting seamless participation.

In the case of the Fund, we emphasized that as a part of the credit intermediation function, we would assume the role of their counterparty in the trade, rather than a potentially lower-rated or unrated cash borrower. This ensured that the Fund was not increasing its risk exposure while introducing expanded opportunities for incremental yield. Major ratings agencies, including S&P and Fitch, reviewed the terms of our guarantee and confirmed that it met their principles of credit substitution for repo exposure.

We also engaged the Fund's legal team with respect to P2P program documentation; for example, with specifics around the program guarantee, our role as program administrator, program timelines and other crucial aspects. A significant factor in the Fund being ready to proceed with onboarding was that the guarantee allows them to access new opportunities and counterparties without facing credit risk of a lower or unrated counterparty.

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**Once these were finalized our product and technology teams granted user access, set up client accounts and prepared for trading.**

## **Streamlined onboarding**

As a part of our client onboarding program, we have developed a streamlined set of standardized documentation informed by our mature, market-leading [FICC Sponsored Repo](#) offering. When a client joins the program, they have access to the full suite of counterparties who have already signed on, eliminating the need for lengthy bespoke negotiation.

In the case of the Fund, they reviewed and executed our standard P2P documents and triparty agreement, given that they planned to use our triparty settlement service in addition to bilateral delivery versus payment.

Once these were finalized, our product and technology teams granted user access, set up client accounts and prepared for trading. Our front office worked closely with the Fund's portfolio management and trading team, providing hands-on support to ensure the onboarding process was seamless.

Before and during the trading process, we provided support to the Fund, ensuring access was set up correctly, collateral was uploaded accurately and that everything was primed for trading.

## Reaping the rewards

Once the Fund began actively using Venturi to support P2P trading, they observed significant benefits such as:

**Better rates:** Our credit intermediation allows clients to interact with a broad set of counterparties – particularly lower or unrated borrowers, which results in better rates through increased negotiating power and pricing transparency.

- The P2P model removes intermediaries from the repo market, eliminating the pass-through costs that occur in traditional dealer-intermediated repo.
- Both these factors resulted in price improvement for the Fund. They experienced eight basis points of yield improvement on a corporate bond trade.
- Trades backed by US Treasuries or Agencies also can see yield improvement to varying degrees, depending on the collateral type.

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**Firms on both sides of the trade can consolidate their repo transactions on Venturi's single platform, giving them greater transparency and a holistic view of their overall activity.**

**Greater operational excellence:** Venturi's triparty collateral management solution optimized the Fund's operations by efficiently managing back-office requirements relating to collateral valuation, margin management and trade reporting. Venturi also seamlessly integrated with the Fund's current system, and the Fund appreciated the intuitive nature of the platform.

**Better decision-making:** As market conditions continue to shift and change, the transparency that Venturi provided empowered the Fund to make decisions more accurately and efficiently. Firms on both sides of the trade can consolidate their repo transactions on Venturi's single platform, giving them greater transparency and a holistic view of their overall activity.

**Improved risk management:** The program guarantee ensured that the Fund's counterparty credit risk was managed within the risk and investment guidelines, even while facing lower-rated or unrated counterparties.

**Increased efficiency:** Having a streamlined onboarding process eliminated the need for bespoke bilateral negotiation. The Fund experienced a seamless front-to-back workflow that was purpose-built for P2P through our platform.

## **Ongoing education and enhancements for the future**

The Venturi platform is a revolutionary addition to the market. Educating the Fund and other clients on its features will be an ongoing process.

Cash providers and borrowers stand to potentially benefit from the scale and scope of the Venturi platform, with access to controlled risk management and a range of buy-side counterparties.

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**The Venturi platform is a revolutionary addition to the market.**

Firms can join and transact on both sides of the trade, allowing them to freely transition between long and short cash positions.

Like any democratized platform, the value of these benefits will only grow as clients continue to join and expand the set of eligible counterparties. By supporting positive user experiences for our existing client base and continuing our targeted marketing campaign, we are focused on providing our clients with a consistent and seamless experience.

We are also engaging closely with current and prospective clients to understand demand for Venturi enhancements and sequencing them accordingly.

To learn more about what our Venturi<sup>SM</sup> by State Street solution can do for you, visit:

[statestreet.com/venturi](https://statestreet.com/venturi)



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