

Reitigh



Mobius Life

CASE STUDY

Modernising LDI Collateral Management for Defined Benefit Pension Schemes





Project Overview

In a rapidly changing financial landscape, adaptability and efficiency are drivers of success. Reitigh specialises in delivering innovative solutions to the financial service industry. Our unique approach combines flexible software with a team of industry domain experts, enabling our clients to navigate the complex world of financial services with agility and speed. This case study explores our recent collaboration with Mobius Life facing a pressing challenge: modernising the processing of Liability Driven Investment (LDI) instructions to enhance operational efficiency and meet regulatory demands.

Client Background

Our client, Mobius Life, is the market-leading institutional investment platform to over 700 Defined Benefit and Defined Contribution pension schemes, with £25 billion assets under management. Mobius was grappling with the increasing complexity and frequency of LDI capitalisation events. Following last year's LDI crisis, the Bank of England issued recommendations through its Financial Planning Committee that pension schemes need to improve their operational processes to provide collateral to their LDI funds within stringent timelines. Later the FCA also issued its own recommendations on how asset managers and schemes needs to address operational resiliency concerns.

Find out more information on Mobius, visit: mobiuslife.co.uk or email them via: sales@mobiuslife.co.uk

The Challenge

On an ad-hoc basis, asset managers would notify schemes of LDI Recapitalisation or Distribution events, necessitating the transfer of funds to or from the LDI fund. This meant the schemes needed to have rules in place to determine what collateral assets to buy or sell in order to fund the LDI Recapitalisations or Distributions. The challenge was twofold:

Diverse Scheme Requirements

Different pension schemes desired unique algorithms for deciding which collateral assets to buy or sell. This was a significant hurdle, needing to support a wide variety of algorithms, including the need for collateral waterfalls, where schemes could predetermine a cascading hierarchy of collateral funds to transact in.

Agility in Responsiveness

Pension schemes required the ability to change not just which collateral assets would be bought or sold, but also the algorithm to be used over time. To provide a scalable solution where operation teams are not required to be involved with manually handling requests from schemes, there was a requirement for schemes to be able to self-serve in choose collateral assets and algorithms.

Manual Processes

Mobius Life traditionally managed these transactions using Excel macros to calculate required trades. While sufficient for occasional LDI events, there was clear guidance coming from the Bank of England and the FCA that being able to demonstrate robust operational resilience in times of extreme market stress was mandatory.



Our Solution

Working in close collaboration with Mobius Life, Reitigh devised a comprehensive solution to streamline LDI processing and ensure operational resilience:



Automated Trade Generation

Reitigh developed a sophisticated system that automatically generated trades on collateral assets in real-time. This eliminated the need for manual intervention, ensuring swift execution and reducing the risk of errors.



Connection to Mobius Life's Client Portal via API

To empower pension schemes to self-serve and manage their collateral asset references, we integrated our solution with the Mobius Life's Customer Relationship Management (CRM) tool via API. This integration allowed schemes to access an online portal to customise their preferences efficiently, with no re-keying of information required on the back end.



Automated Notifications

Our system sends automated notifications to both the pension scheme advisors. This ensures that all stakeholders are kept informed of each LDI event and the associated transactions.



Audited and Controlled Framework

The entire process is wrapped in a fully audited, controlled, and governed framework. This transparency enables tracking of all decisions and changes, aligning with regulatory requirements.

"The collaboration with Reitigh was a game-changer. The challenges we faced in adapting to regulatory changes and the increasing complexity of LDI events required a robust and innovative solution. Reitigh's expertise in creating flexible, tech-driven systems and their deep understanding of our industry's nuances made all the difference. This project was a perfect demonstration of how technology, when combined with domain expertise, can create solutions that are not just effective for today's challenges but are also adaptable for the future."

Nathan Travell
Business Change Director
Mobius Life

Outcome and Impact

The project was a testament to the power of collaboration, with our client's insights and our expertise coming together to create a solution that not only addressed the challenges at hand but also anticipated future needs. The modernised, automated process significantly reduces operational risk and provides added value to the schemes.

The successful implementation of our solution yielded significant benefits for Mobius Life:



Enhanced Efficiency

The manual processes were replaced by an automated system, enabling our client to handle large volumes of LDI events efficiently and accurately.



Customisation

By allowing pension schemes to self-serve and choose their preferred collateral asset algorithms, Mobius Life enhanced customer satisfaction and met diverse scheme requirements.



Transparency

The fully audited framework ensured compliance with regulatory mandates while providing complete transparency in all operations. This was a scalable and resilient solution built to the standards required by the Bank of England and the FCA.



Operational Agility

Mobius Life is now better equipped to navigate the ever-changing LDI landscape, responding promptly to regulatory demands and market fluctuations.

The collaboration between Reitigh and Mobius Life not only resolved their immediate challenges but also set them on a path towards a more agile and efficient future. In the face of increasing regulatory pressures, this case study exemplifies how innovative technology and domain expertise can transform financial service operations, ensuring they remain competitive and compliant in a dynamic industry.



Contact Details

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