



# Revolutionizing intraday financing with a blockchain-based solution

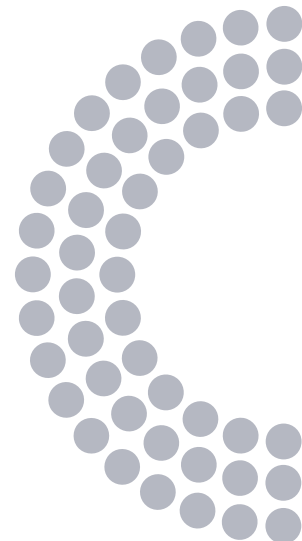
Managing intraday cashflows is an essential part of a financial institution's liquidity management program. Traditional intraday financing solutions, such as intraday credit facilities and overnight repo agreements, can be costly and prone to operational friction. Digital Financing is a revolutionary alternative that streamlines intraday financing, reduces borrowing costs and optimizes capital deployment.



# The background

A global financial institution regularly utilized intraday credit facilities and overnight repo agreements to manage intraday cashflows as part of its liquidity management.

Although traditional outlets for accessing short-term secured financing were available to them, the financial institution wanted to explore an alternative solution in order to reduce its intraday borrowing costs and solve operational challenges that typically occurred when using its existing funding sources.



# The challenge

Operational friction within their traditional processes included:



**Settlement risk:** Manual trade entry errors and collateral inventory mismanagement created settlement risks that resulted in operational inefficiencies.



**Suboptimal capital management:** The inability to precisely determine when the institution would receive funding due to uncertainty around settlement timing as well as prolonged delays caused by settlement failure, occasionally led to setbacks in capital deployment, resulting in further stress within operational processes.



**Data transmission errors:** Complexity in liquidity management infrastructure introduced heightened risk for potential error. For example, the details of trade executions were fed to various operational systems handling risk management and settlement. A data transmission error within these systems risked causing a delay in trade settlement and access to funding.

# The solution

Digital Financing, a blockchain-based application powered by the Onyx Digital Assets platform, offers an innovative solution to address this financial institution's pain points. Digital Financing can provide access to secured intraday financing using repurchase agreements to meet the financial institution's daily funding requirements.

Intraday repurchase transactions have provided a more cost-effective borrowing rate when compared to that offered by the institution's existing intraday credit facility provider and do not require balance sheet usage as is required when executing overnight repo transactions.

Here's how the Digital Financing application provided major solutions to their challenges:



Risks stemming from collateral inventory mismanagement are **mitigated by requiring the institution to segregate its collateral prior to submitting a request for funding**, which greatly reduces the likelihood of delays in settlement.



**Transacting over blockchain provides real-time transparency of the trade lifecycle**, with the application enabling the feeding of trade details directly into existing systems, thereby ensuring full transparency across the organization.



**Using an end-to-end application simplifies the entire process from quote to maturity**, eliminating duplicative processes and reducing the need for reconciliations traditionally required to identify manual trade entry errors.



**Programming settlement and maturity timing of funds allows for precise planning** for liquidity requirements and optimization of capital deployment based around organizational needs.

This solution powers this financial institution's ability to receive intraday funding fast and has **reduced their operating costs by 56%**.

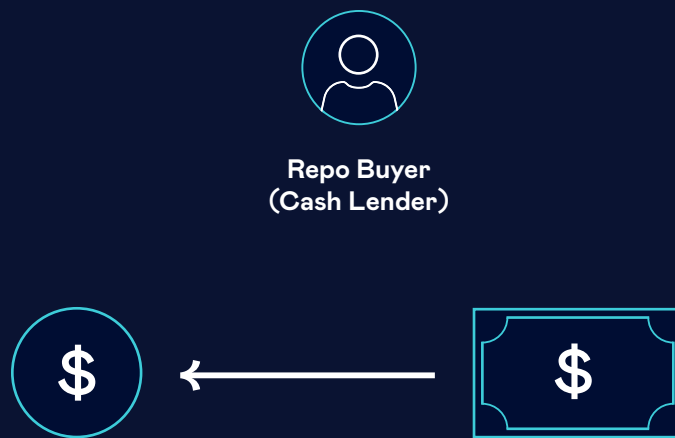
Here's how Digital Financing provides access to secured intraday financing

## Pre-trade requirements

In preparation of the trade, the repo seller segregates their collateral for use in the trade. The Digital Financing application verifies the collateral before the trade is proposed and creates an entitlement to the ownership of the collateral. The repo buyer transfers their cash into a blockchain deposit account.



Collateral Entitlement Creation



Blockchain Deposit Account Transfer



# Trade

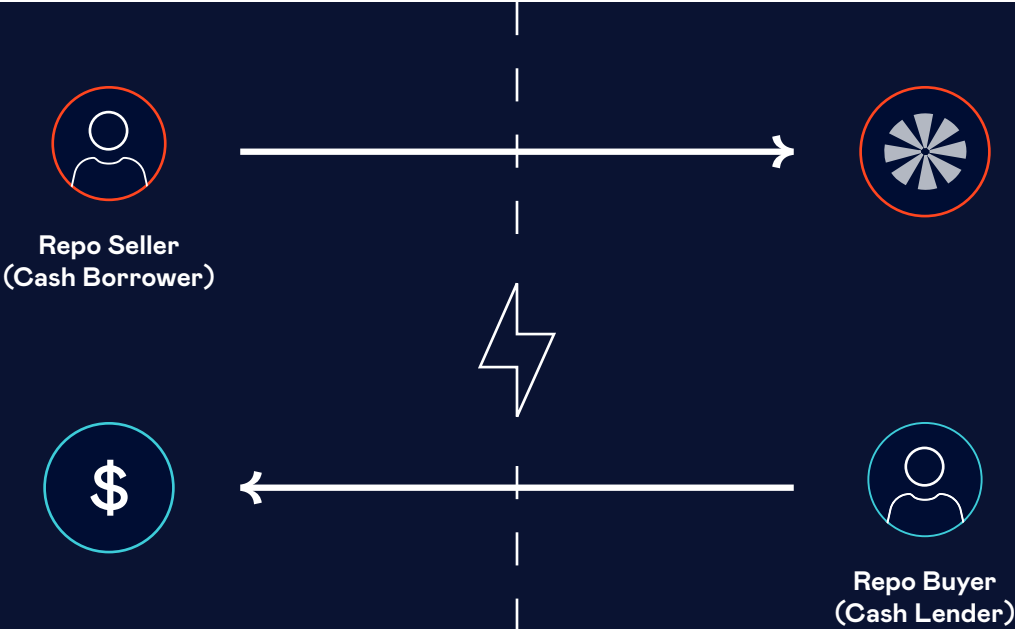
At trade execution, the repo seller and buyer negotiate, agree and cryptographically sign the terms of the repo trade. Smart contracts enable the ability to precisely program the settlement and maturity timing within the trade agreement.





# Settlement

At the agreed settlement time, cash and the entitlement to the ownership of the collateral are simultaneously transferred. Since the assets were verified before the trade, the likelihood of settlement failure is reduced.







# Post-settlement

The seller transfers the cash from their blockchain deposit account to their traditional deposit account. The repo buyer holds the entitlement to the collateral as recorded through the Digital Financing application.



**Repo Seller**  
**(Cash Borrower)**



**Repo Buyer**  
**(Cash Lender)**





# Pre-maturity

The Digital Financing application initiates a transfer of the cash borrowed plus interest from the repo seller's traditional deposit account to their blockchain deposit account.



**Repo Seller  
(Cash Borrower)**



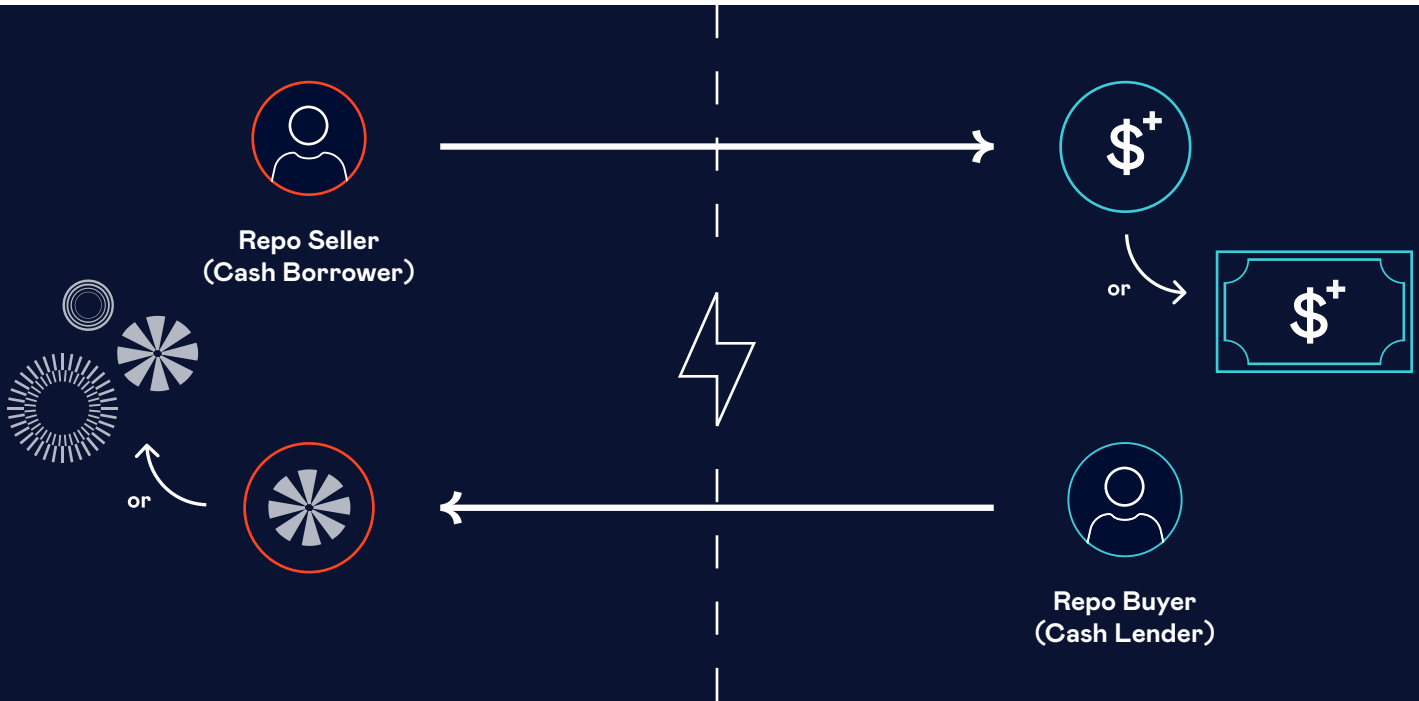
**Repo Buyer  
(Cash Lender)**





## Maturity

Smart contracts trigger the exchange of collateral for cash plus interest accrued, which is calculated based on the tenor of the trade, down to the minute. Both parties can remove their assets from the Digital Financing application or leave them in anticipation of the next trade.



“Digital Financing allows us to execute repo transactions at speed, that previously weren’t supported through traditional means and access a new, alternative intraday financing source. We see this solution as an active cash management tool that enables us to access secured intraday funding in just a few clicks, while also considerably reducing our costs of funding.”

— Vice President, Fixed Income Repo Trader at Global Financial Institution

# The results

Digital Financing enabled the global financial institution to access faster, more cost-effective, and secure intraday funding without the need to tap into their balance sheet. The solution also delivered:



A 56% decrease in the borrowing rate when compared to its traditional intraday credit funding solution<sup>1</sup>



Ensured near instantaneous delivery-vs-payment settlement



Resulted in near-zero touch settlement for operations

Digital financing delivered unprecedented efficiency gains for the financial institution and proved to be a game-changer for optimizing its financing operations.

# Conclusion

Digital Financing is transforming access to secured intraday financing. The blockchain-based application delivers unmatched efficiency gains and has revolutionized traditional intraday financing solutions by providing access to a more cost-effective, faster, and secure alternative to traditional intraday credit facilities and overnight repo agreements. Digital Financing enables financial institutions to optimize capital deployment, reduce operational risks and costs, and streamline intraday financing operations, simply.

Get access to secured intraday financing.

[Learn more](#)





<sup>1</sup>The decrease in borrowing rates varies by the client's current borrowing costs. Outcomes are not guaranteed.

FOR INSTITUTIONAL & PROFESSIONAL CLIENTS ONLY – NOT INTENDED FOR RETAIL CUSTOMER USE

Copyright © 2023 JPMorgan Chase & Co. All rights reserved

This material has been prepared by J.P. Morgan Sales and Trading personnel and is not the product of J.P. Morgan's Research Department. It is not a research report and is not intended as such. This material is provided for informational purposes only and is subject to change without notice. It is not intended as research, a recommendation, advice, offer or solicitation to buy or sell any financial product or service, or to be used in any way for evaluating the merits of participating in any transaction. Please consult your own advisors regarding legal, tax, accounting or any other aspects including suitability implications, for your particular circumstances or transactions. J.P. Morgan and its third-party suppliers disclaim any responsibility or liability whatsoever for the quality, fitness for a particular purpose, non-infringement, accuracy, currency or completeness of the information herein, and for any reliance on, or use of this material in any way. Any information or analysis in this material purporting to convey, summarize, or otherwise rely on data may be based on a sample or normalized set thereof. This material is provided on a confidential basis and may not be reproduced, redistributed or transmitted, in whole or in part, without the prior written consent of J.P. Morgan. Any unauthorized use is strictly prohibited. Product names, company names and logos mentioned herein are trademarks or registered trademarks of their respective owners. The products and/or services mentioned herein may not be suitable for your particular circumstances and may not be available in all jurisdictions or to all clients. Clients should contact their salespersons at, and execute transactions through, a J.P. Morgan entity appropriately licensed in the client's home jurisdiction unless governing law permits otherwise. Past performance is not indicative of future results. All services are subject to applicable laws, regulations and service terms. This material is a "solicitation" of derivatives business only as that term is used within CFTC Rule 1.71 and 23.605. Where this material is an "investment recommendation" as that term is defined in MAR visit: [www.jpmm.com/#mardisclosures](http://www.jpmm.com/#mardisclosures). This material is subject to terms at: [www.jpmorgan.com/salesandtradingdisclaimer](http://www.jpmorgan.com/salesandtradingdisclaimer). © 2023 JPMorgan Chase & Co. Member FDIC. Deposits held in non-U.S. branches are not FDIC insured. All rights reserved. J.P. Morgan is a marketing name for investment banking businesses of JPMorgan Chase & Co. and its subsidiaries and affiliates worldwide. Bank products and services, including certain lending, derivative and other commercial banking activities, are offered by JPMorgan Chase Bank N.A. (JPMCB), including through its authorized branches and other global affiliates registered with local authorities as appropriate. Securities products and services, including execution services, are offered in the United States and in other jurisdictions worldwide by J.P. Morgan Securities LLC (JPMS LLC), in EMEA by J.P. Morgan Securities plc (JPMS plc), J.P. Morgan SE (JPM SE) and by other appropriately licensed global affiliates. JPMCB, JPMS LLC, JPMS plc and JPM SE are principal subsidiaries of JPMorgan Chase & Co. For information on which legal entities offer investment banking products and services in each jurisdiction, please consult: [www.jpmorgan.com/ib-legal-entities](http://www.jpmorgan.com/ib-legal-entities). For important disclosures in respect of securities transactions, please consult: [www.jpmorgan.com/securities-transactions](http://www.jpmorgan.com/securities-transactions) and in respect of over-the-counter equity derivatives transactions, please consult: [www.jpmorgan.com/otc-equity-derivative-transactions](http://www.jpmorgan.com/otc-equity-derivative-transactions).