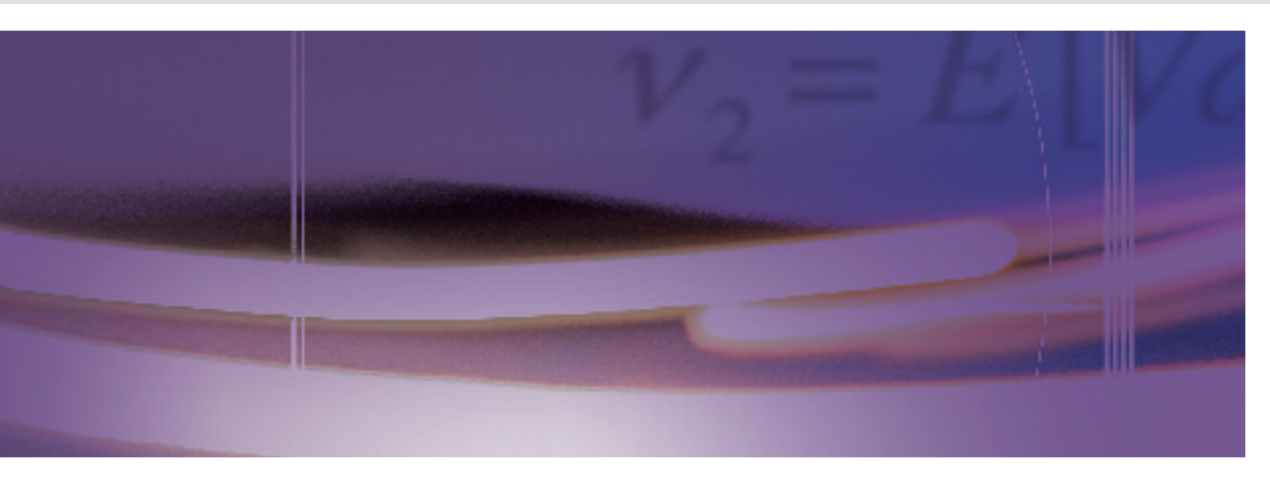


# COLLATERAL OPERATIONS



Algorithmics



# Enterprise-wide margining solution dedicated to reducing operational risk and mitigating credit risk.

Data consolidation

Agreement margin terms

Margin calculations

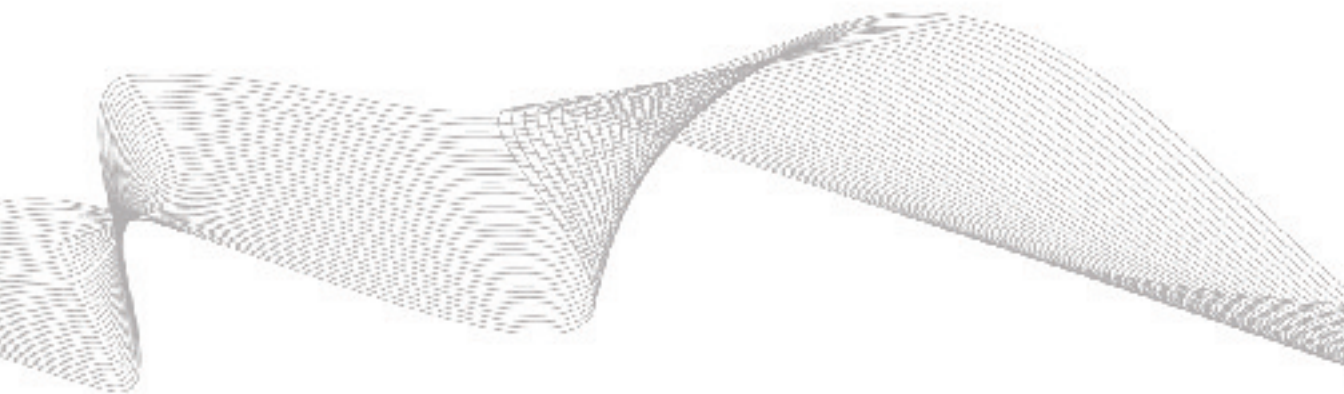
Daily margining

Rehypothecation

Interest distributions

## COLLATERAL OPERATIONS

Algorithmics provides an enterprise-wide margining solution to help guide banks, insurance providers, pension funds, and asset managers through all aspects of the collateral management process. Through an automated workflow and timely access to market data, Algorithmics' collateral management solution provides financial institutions with tools to mitigate credit risk, reduce operational risk, and respond faster to business opportunities.



## Collateral takes center stage: The positive impact of enterprise-wide collateral programs

The value of collateral use has increased considerably in recent years, as financial institutions have come to recognize the benefits collateral programs deliver. With their ability to enable greater volumes of business, while mitigating credit losses, collateral programs can sustain and enhance a competitive advantage for banks, insurers, and fund managers.

As these programs have gained in popularity, they have also become more complex. Collateral managers work to strict timeframes and operational controls to produce margin calls, reconcile portfolios, and maximize the use of their collateral inventory. Regulatory bodies have stepped in to address key issues around collateral programs, including expanding the types of collateral accepted for trade, defining a framework for the use of collateral between counterparties, and outlining specific Basel II- and Sarbanes-Oxley-related requirements.

Algorithmics' collateral operations solution offers financial institutions a comprehensive method to meet these requirements and manage the risks associated with collateral management. Using an automated data management system designed to minimize errors and operational risk, Algorithmics' solution can satisfy the multiple needs of collateral management programs including: data gathering and consolidation; margin and collateral calculations inventory management; and the feeding of downstream systems such as settlement and risk. With optional extensions for over-the-counter (OTC) derivatives margining, repo margining, and securities lending margining, Algorithmics' solution offers a variety of functions that help support the increasing use of collateral within the global trading community.



## Features & Benefits

### Enhances risk-based decision making

Algorithmics provides a consistent method to accurately capture data and documents from all users across the trading book. Senior officers and collateral managers gain timely access to collateral-based information, which can be used in support of risk-based decision making.

### Optimize liquidity and inventory management

Changes in the credit rating of a counterparty or institution can impact margin demands. Algorithmics' collateral management solution provides banks with the capability to identify potential shortfalls in available collateral, specify return dates to internal borrowers, and mitigate exposures before they happen. The solution can also be used to collateralize inter-bank exposures, encouraging derivatives dealers to conduct more end-user business by reducing risk levels and retaining liquidity.

### Margin call process

Collateral managers can leverage the solution's workflow tools to secure real-time status on collateral operations, examine individual tasks, and promote them to assigned business owners in a timely manner. Tasks generated include margin calculation results, coupon and interest distributions, exposure and collateral reconciliations, and collateral substitutions.

### Full management reporting

Access a full suite of standard and customized reports for efficient management control, including margin call notice, margin call summary, what-if scenarios, and signed collateral agreements. The solution also provides insightful views on topics including legal issues and regulatory requirements.

### Increase business opportunities

Algorithmics' collateral management solution supports the analysis and approval of new business through higher risk trades. These opportunities include: trading with existing counterparties where credit lines are full; expanding customer base to those who do not meet normal credit criteria; conducting business with counterparties who insist on collateral agreements; and the use of advanced rehypothecation techniques to automatically allocate collateral to margin calls and mitigate outstanding credit exposures.

### Automated workflow and tracking

Algorithmics' collateral management solution can be configured to perform a number of automated tasks, helping to minimize credit and operational risk. Institutions may select to replicate daily operational activities, acquire a view on margin calculation results, guide users through tasks, track critical verification points, control data entry, and provide output via standard or customized reports.

### Mitigate credit risk

Via a flexible workflow, Algorithmics' collateral operations solution is designed to help institutions identify potential credit losses while managing margin information across business lines. Collateral managers can also utilize the solution to minimize exposure to counterparties and market volatilities, or when managing long-dated transactions.

### Create regulatory capital savings

Financial institutions obtain regulatory capital benefits when using collateral, particularly under Basel II where there is increased coverage of the types of collateral to which capital adequacy haircuts can be applied, and increased granularity in the definition of those haircuts. As a program dedicated to reducing operational risk and mitigating credit risk, Algorithmics' collateral management solution can help translate the benefits of collateral use into lower capital charges.

## Professional Services

Supported by one of the largest research and development groups in the industry, Algorithmics' professional services team utilizes industry best practices and qualified personnel to oversee implementations of all sizes and budgets. Using a systematic milestone review system and proven implementation tools, Algorithmics' professional services team gives clients the opportunity to dramatically reduce the costs, project risk, and time associated with complex, enterprise-wide projects.

## Algo Academy

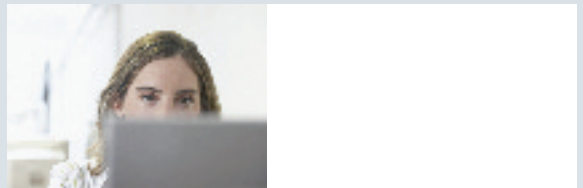
Algorithmics offers courses for each of its risk management solutions through training centers in Frankfurt, London, and Toronto. From introductory sessions to advanced workshops, Algo Academy courses provide product user training related to enterprise risk management. Whether you are looking to develop new skills, increase productivity, or enhance current expertise, the Algo Academy provides a valuable opportunity to turn risk management knowledge into a competitive advantage.

## Algo Assist

Combining state-of-the-art technology with expert product knowledge, the Algo Assist team provides Algorithmics clients with world-class technical support via telephone, email, and the Algo Assist website. AlgoAssist.com provides anytime, anywhere access to key features including a service request system, knowledge base searches, and a documentation library. Clients may choose to enhance coverage with Premium Support, which provides additional benefits including 24/7 access to live Algo Assist personnel.

## About Algorithmics

Algorithmics is the world's leading provider of enterprise risk solutions. Financial organizations from around the world use Algorithmics' software, analytics, and advisory services to help them make risk-aware business decisions, maximize shareholder value, and meet regulatory requirements. Supported by a global team of risk experts based in all major financial centers, Algorithmics offers proven, award-winning solutions for market, credit, and operational risk, as well as collateral and capital management. Algorithmics is a member of the Fitch Group.



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