



Automated Reconciliation: Improving A Critical, Labour-Intensive Post Trade Process

Recent market volatility combined with the growth of OTC derivatives trading has left middle office operations struggling to keep pace with reconciliations. Portfolio reconciliation disputes most often arise during the collateral call process. Until resolved, these disputes can expose traders to unnecessary credit risk and also generate avoidable write-offs or losses for asset managers. A large percentage of reconciliations are completed using manual spreadsheets, which are hugely inefficient and therefore can't be completed frequently enough. Regular reconciliations is always important, but even more critical, during periods of volatility.

Lombard Risk has developed an Automated Reconciliation module for its Colline® Proactive Collateral Management solution to solve the major challenges facing collateralised trading operations today including managing risk, increasing operational transparency, and improving business processes to control counterparty risk.





Prompt portfolio reconciliation is fundamental to the prevention of disputed margin calls. The reconciliation process has historically been a tedious, manual process, though an essential part of the traders' risk management strategy. Portfolio reconciliation is even more critical during periods of volatility when collateral calls are more frequent, disputes are longer, and discrepancies are larger. The Colline[®] Reconciliation module enables fast, frequent, and timely portfolio reconciliations. It is a scalable, rapid, automated trade matching reconciliation solution that meets all industry reconciliation standards and significantly enhances the dispute resolution process.

Fast, Accurate Margin Calls Minimise Credit Risk

With Colline[®], hedge funds, investment managers, prime brokers, broker/dealers and custodians have the ability to better handle the growing volume and increased complexity of collateralised transactions, while mitigating credit and operational risk. With the Colline[®] Reconciliation module, manual reconciliation methods are a thing of the past, and reconciliation can occur more often, even daily.

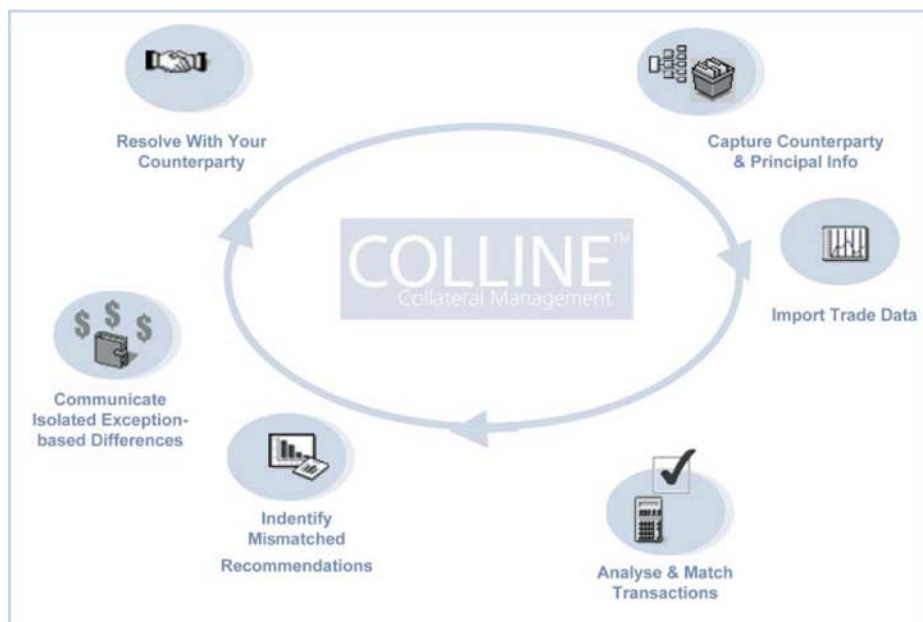
The Colline[®] Reconciliation module's flexible and powerful engine enables quick, easy and accurate reconciliation of trade positions, internal and external to the Colline[®] Collateral Management system. The intelligent trade-matching capability facilitates reconciliation and dispute management for all trade positions. The solution then stores previously matched trade data, as well as Counterparty trade id and other trade information, to ensure efficient reconciliation in subsequent time periods.



The Colline[®] Reconciliation Module can run as a standalone solution or be combined with the Colline[®] Collateral Management solution, or any other third-party collateral management technology, to allow any collateralised trading department the power to realise operational efficiency, reduce operational risk and more effectively manage their counterparty credit risks.

Key Features and Benefits

- Automated trade position reconciliation and trade match suggestions for a significant portion of your portfolio
- Reduce trade risk and eliminates reactionary investigations.
- Makes daily proactive reconciliation a reality.
- Early indicators of trade discrepancies result in better risk mitigation and greater reconciliation transparency.
- Provides a central mechanism for tracking the dispute resolution process.
- Supports one-to-one, one-to-many, and many-to-one trade scenarios.
- Archives all work in progress while processing complete trade feeds in minutes providing the most efficient, flexible reconciliation product available.
- Developed to ISDA Electronic Data Interchange standards and fully market compliant.
- A pure Intranet-based solution that can be accessed by any user, from anywhere, with a secure login.
- Can be configured to import principal and counterparty trade feeds automatically.



- The solution archives all work-in-progress and reports.

Advanced Unmatched Reconciliation Functionality

Armed with unmatched trade suggestions, trade value disputes can be manually resolved with minimal investigation. When an unmatched trade recommendation is accepted, the resolution is saved for future reference. The unmatched outputs can be analysed, sent to your counterparty or other departments on demand, or automatically delivered via email.

- Facilitates communications.
- Fewer disputes and faster resolution.
- Reduces risk and improves decision making by providing more accurate trade-related information.

Powerful Exposure Analysis Results and Reports

Portfolio differences can be displayed in one detailed snapshot or highlighted in comprehensive reports to identify the next required action in the resolution process for each of the parties involved. There is a built-in escalation process that facilitates dispute-handling so that they are investigated and resolved satisfactorily. The display and/or corresponding reports reveal:

- All trades transactions may not be accounted for.
- Mark-to-market differences.
- The cumulative effect of aggregated trades and valuation disputes in one detailed snapshot or report.
- Managers can perform current and historical reconciliation comparisons.

Flexible Data Capture and Presentation

The Colline® Reconciliation Module accommodates numerous counter party file formats and provides a conversion template to transfer irregular external files into ISDA standard data format. Trade data from the Principal and the Counterparties is presented in a clear and recognizable manner such that same trades can be verified and matched according to each party's own mark-to-market valuations and records. Trade data that can be captured and compared includes:

- trade identifier of both parties
- trade date
- maturity date
- notional amounts
- currency
- product type

Intelligent Trade Matching with Matched and Unmatched Analysis

- The rapid transactional analysis process reviews Principal and Counterparty trade files to identify sources of discrepancy.

- When the source of the trade bookings discrepancy has been identified, the findings are reported and the cause is isolated.
- Supports one-to-one, one-to-many, and many-to-one trade scenarios
- Archives all work-in-progress and processes complete trade feeds in minutes to produce efficient and flexible reconciliation.
- Trades are matched according to matched, suggested matched and unmatched.

Automated Daily Trade Valuation and Terms Comparison Results

Easy to access results identify where mark-to-market differences may exist. Users can drill down on specific trade data to analyse the source transactional data. In addition, Colline® Reconciliation can be configured to fine-tune the matching rules for a particular set of products to further optimise the reconciliation process.

- Party trade data as well as completed reconciliation results can be exported to MS Excel, CSV, XML or PDF.
- Trade reconciliation can be run on a per contract or portfolio basis, using either current or archived historic data.



Fast and Simple Implementation

The Colline® reconciliation module is easy to deploy and even easier for hedge funds, investment managers, prime brokers, broker/dealers and custodians to use. It is a solution that is ready to configure, so set-up is straightforward and IT involvement can be kept to a minimum. Colline® Reconciliation is generally deployed in days. In addition, Colline® Reconciliation can be integrated into existing trade management solutions, post trade process and exception MIS management reporting systems.

About Colline®

Colline® is the industry's leading web-based proactive collateral management and reconciliation solution that automates the entire collateral management process to minimise operational risk and make the most of collateralised assets in order to maximise trading strategies. Colline® is the first collateral management solution to deliver client or counterparty direct access to collateral management and trade reconciliation related information.

By offering collateral management self-service, financial service providers can provide their customers with active control of their asset utilisation to mitigate their risk exposures and attain targeted investment returns. Colline® is the 2nd most widely deployed global collateral management solution and was voted as one of the coveted "Top 5" automated collateral management solutions in RISK Magazine's Annual Software Survey for three years.

The Right Collateral, At The Right Place, At The Right Time.

For further information about Colline® Your Complete Collateral Management and Reconciliation Solution, or any other Lombard Risk product or service, go to www.lombardrisk.com.

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