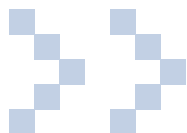




Colline®

Your Proactive Collateral Management Solution



Hess Corporation ("HESS") is a leading global, independent energy company, engaged in the exploration and production of crude oil and natural gas, as well as in refining and marketing. The company recently invested in Colline®, an innovative, web-based collateral management system, developed by Lombard Risk, a specialist provider of risk management technology.

The need for an automated approach to managing collateral:

Hess Corporation's trading arm is involved predominantly in oil and gas trading, as well as derivatives transactions. Trading takes place in a variety of locations, while collateral management is carried out from New York. At present, the company has in place approximately 250 collateral agreements. The bulk of these arrangements are ISDA master agreements with credit support annexes but, as the company also manages physical transactions, there are a number of ISDA agreements with power and gas annexes, EEI (Edison Electric Institute) and European NBP (National Balancing Point) agreements. Not surprisingly, due to the large number of agreements, the collateral management process is a highly complex one.

Prior to the implementation of Colline®, collateral management was carried out on a manual basis, using spreadsheets. As Gregory Cortez, Director of Wholesale Credit Risk Controls recalls, the lack of automation created "the added risk of human error". Potential dangers could include missed margin calls, asking for the wrong amounts of collateral or using an incorrect rounding mechanism. The process was also extremely time-consuming. By 2005, the manual approach had become untenable. Comments Mr. Cortez, "Collateral management is a necessary part of our trading activity. If we're going to be in this business, we need to be able to manage it from a collateral perspective". In response, the company began the search for a dedicated collateral management system that would facilitate safer management of credit exposure and reduce levels of operational risk.

"Colline® has enabled Hess to add agreements without increasing headcount."



"The implementation of Colline® has resulted in significant cost savings for Hess. The system easily cuts in half the time it takes to manage margin."

Greg Cortez

Director – Wholesale Credit Risk Controls

Selection

Colline®, a Web-based application, running on Microsoft® Internet Explorer™, electronically captures Master Agreements and related collateral annexes. Using these agreements as a basis, Colline® calculates a firm's credit exposure to its trading counterparties, informing the user whenever a margin call is necessary.

A letter of notification is generated automatically, which can then be sent to the counterparty. If a margin call is disputed, a reconciliation tool allows the review of previous trades, and the convenient identification of any break. Sophisticated reporting technology provides updates on the status of any margin call, allowing the user to monitor the entire collateral management process from beginning to end. When a new agreement or a change to an agreement is approved, it is automatically archived by the system.

Before selecting Colline®, Hess reviewed a number of alternatives, including purchasing an application from a competing software vendor. "Although the other vendor had a number of energy company clients", comments Gregory Cortez, "their attitude was 'buy us because everyone else has bought us' and that's not the answer I was looking for". On the other hand, Lombard Risk offered flexibility, a "very professional" approach, and a "high level of customer service". Colline® was "well organised, easy to use and very user-friendly". Significantly for Mr. Cortez, Colline® was collateral management specific rather than a subset of a larger system.