

RISQUE

Advanced CFD

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Advanced CFD User Guide

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Preface

About this Guide

This guide is written for anyone that uses the Advanced CFD module.

How to use this Guide

This guide provides information about the functions that are provided by the Advanced CFD module.

Conventions

This section describes the typographical conventions used in this document.

- `Courier New` font is used for code, parameters, and screen output.
- **Courier Bold** font is used for file names, directory structures, URLs, and user input.
- *Italics* are used for names of guides and references to other sections.
- **Verdana Bold** is used for items on the Graphical User Interface.

RISQUE Documentation

This guide forms part of RISQUE documentation which comprises the following:

Document	Description
<i>Back Office Installation Guide</i>	Describes the Back Office Services that support the Back Office functionality in RISQUE, and provides procedures for installing the services.
<i>Back Office User Guide</i>	Describes the modules that comprise the Back Office functionality and provides procedures for configuring and using them. The modules include: <ul style="list-style-type: none"> • Back Office Kernel • Confirmations and Payments (OTC) • Settlements (Securities) • Accounting In addition, it describes the Back Office user rights.
<i>Back Office Programming Guide</i>	Describes the Sophis Markup Language Tags and how to use them in Back Office document templates.
<i>Reporting Module User Guide</i>	Describes how to generate documents in various formats from XML content taken from the data in your database using the Reporting Module.
<i>Dashboard User Guide</i>	Describes the Dashboard module, an interface that displays various aspects of RISQUE.
<i>Advanced Stock Loan Module User Guide</i>	Describes the Advanced Stock Loan module for creating and managing stock loans.
<i>Advanced CFD User Guide</i>	Describes the Advanced CFD module for creating and managing contracts for difference.
<i>Core Services Installation Guide</i>	Describes the Core Services and architecture that supports RISQUE and Back Office Services, and provides procedures for installing and configuring the Core Services.
<i>SOA Method Designer User Guide</i>	Describes the creation of specific data sets which can be called from a rich-media client connected to the Integration Service.
<i>RISQUE Collateral Management User Guide</i>	Describes the Collateral Management module and provides instructions for installing, configuring, and using it.

Document	Description
<i>RISQUE Administration Guide</i>	<p>Describes the RISQUE architecture and provides information for administering or configuring the following:</p> <ul style="list-style-type: none"> • System preferences and general administration tasks • User rights and security logs • Reference futures • End of Day and Year procedures • Portfolio calculation and valuation • Pre-calculations and night batches • Tax credits • Currencies, Interest Rates, Interest Rate Curves • Exchanges • Market Data Category and Pricer Category • Swaption and Cap/Floor Volatility • Third Parties • Real-time and historical prices
<i>RISQUE Installation Guide</i>	<p>Describes the RISQUE architecture, and provides procedures for installing the RISQUE application.</p>
<i>RISQUE Asset Management Guide</i>	<p>Describes working with funds in RISQUE and provides procedures for the following:</p> <ul style="list-style-type: none"> • Creating funds • Editing funds • Analysing funds • Fund Preferences • Fund End of Day Procedures
<i>RISQUE Instrument Reference Guide</i>	<p>Describes working with instruments in RISQUE and provides procedures for the following:</p> <ul style="list-style-type: none"> • Creating instruments • Editing instruments • Referencing instruments • Configuring Listed Markets • Instrument Lists
<i>RISQUE Portfolio Management Guide</i>	<p>Describes the aspects of managing trades in RISQUE and provides procedures for the following:</p> <ul style="list-style-type: none"> • Creating deals and automatic tickets • Managing portfolios • Analysing portfolios, through reporting and creation of scenarios • Auditing the history of changes and updates and providing guidelines for interpreting the results

Chapter 1 Advanced CFD Module

This chapter describes the RISQUE Advanced CFD module for creating and managing Contracts for Difference.

This chapter describes:

- *Advanced CFD Introduction on page 9*

Advanced CFD Introduction

The Advanced CFD module provides the following:

- **CFD Model** — Access to the Advanced CFD functionality through the **CFD Model** option in the **Credit Risk Calculation** tab in the **Collateral Agreements** dialog.
- **CFD Cash Flow Model** — Access to models that allow CFD cash flow computations.
- **CFD Report** window — Access to the **CFD Report** window for managing collateral for individual contracts or pools and for viewing summaries. Also provides integration with the RISQUE Reporting Module.
- **Templates** — Use of templates for creating CFDs.
- **CFD Reuse** — Reuse of CFD instruments for the same agreement, which reduces the number of instruments stored in the database.
- **Spread Modification** — For managing the spread for position cash flow calculations. This is accessed from the context menu in the **Portfolio** when the Hierarchal View is shown

For more information on spread modifications, see the *Portfolio Management Guide*.

Chapter 2 Collateral Management

This chapter describes the fundamentals of collateral management and its implementation with the Advanced CFD module in RISQUE.

This chapter describes:

- *Collateral Management on page 11.*
- *Conventions on page 12.*
- *Collateral Agreements on page 13.*
- *Credit Risk Calculation on page 14.*
- *Margin Calls on page 15.*
- *Auditing on page 16.*

Collateral Management

The Collateral Management module allows users to mitigate credit risks by identifying transactions that require collateral guarantees, for when trading with options or debt instruments. RISQUE implements collateral management using collateral agreements, conventions, and methods for calculating the credit risk.

Collateral represents the assets that one party, the entity, pledges to another party, the counterparty, to secure a loan or other credit. Collateral can be seized in the event of a default.

For example, collateral can be used to secure repo, securities lending, and derivative transactions. In these cases, the party that owes an obligation to the second party posts collateral, typically consisting of cash or securities, to secure the obligation. In the event that the first party defaults on the obligation, the second party may seize the collateral.

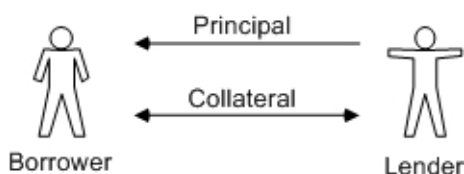


Figure 2-1 Bi-lateral agreement for collateral management.

Managing collateral involves mitigating credit risk through the use of collateral guarantees and agreements between two parties. The Collateral Management module provides a way to manage the collateral for all the assets underlying the transactions made between two parties. Grouping the collateral together in this way allows you to manage the collateral per agreement rather than per transaction.

RISQUE implements collateral management using collateral agreements, conventions, and limit checking for calculating the credit risk.

Conventions

RISQUE calculates credit risk per combination of entity, counterparty and convention. The convention consolidates the elements of collateral management in RISQUE, as shown in Figure 2-2.

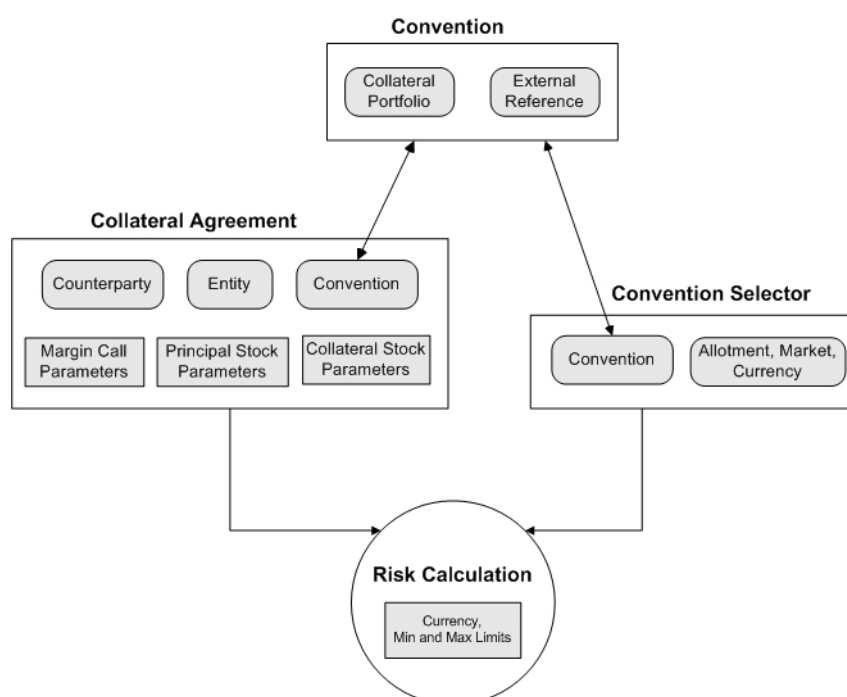


Figure 2-2 Elements of collateral management in RISQUE.

You can link an allotment to a Collateral Convention. When you create a deal on an instrument, RISQUE links the instrument to a convention through its allotment, and other parameters that are defined in the Convention Selector. Because the convention is also linked to a collateral agreement, the instrument is consequently covered by that agreement.

The convention as a criterion in the portfolio extraction that is used during credit risk calculation.

Collateral Agreements

A collateral agreement is made between a borrower and a lender of a product and describes the conditions under which the borrower provides the collateral to secure transactions. The agreement can cover several transactions made between two parties.

A bilateral agreement exists when the collateral agreement is made between a borrower and a lender. A tri-party agreement exists when the collateral agreement involves a borrower, a lender, and an additional third party that manages the margin calls, and the operational, legal, and market risks involved.

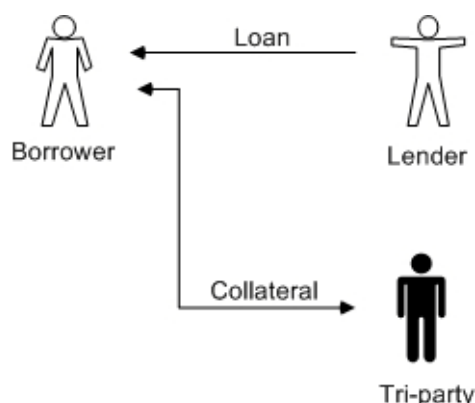


Figure 2-3 Tri-Party agreement for collateral management.

In RISQUE, the agreement consists of a counterparty, entity and convention, and details about the conditions under which the agreement applies. For example, those details include, the start and end dates of the agreement, whether third party is involved, nature of the collateral assets, and parameters for cash and securities margin calls.

Credit Risk Calculation

RISQUE calculates credit risk per Collateral Agreement which consists of a counterparty, entity, and convention, and the conditions under which the agreement applies. The credit risk is expressed in a currency that is defined for the agreement and called the Reference Currency.

The Agreement parameters include hedging and haircut percentages which help to mitigate the risk involved in providing credit. Haircuts reduce the value of collateral assets while hedging increases the value of principal assets. For more information, see the *Collateral Management Guide*.

To calculate credit risk for an agreement, RISQUE starts with the rule conditions that are available in the **Rules for Collateral** window, and determines which convention is associated with the instrument.

During the calculation, RISQUE extracts deals from all portfolios with the same entity and counterparty as in the agreement, and where the instrument in the deal is linked to the convention in the agreement. It applies the hedging and haircuts to the principal and collateral assets and calculates the mark-to-market (MTM) value of the deals. The resulting value is used to calculate the total credit risk for the agreement.

Note: This extraction produces similar results to the portfolio extraction using the "Collateral" model (Select **Extraction** from the **Portfolios** menu.).

The credit risk for a loan or contract is calculated as being the difference between the Principal Value and the Collateral Value. It is represented as:

- Principal Value + Collateral Value

Where:

- Principal Value = *Last Price of Principal Instrument* * *Principal Hedging* * *(Number of Securities | Amount)*
- Collateral Value = *Last Price of Collateral Instrument* * *Collateral Haircut* * *(Number of Shares | Amount)*

When the credit risk value is a positive value (>0), then the Entity is at risk of making a loss if the counterparty defaults, and when the value is negative (< 0), the counterparty is at risk of making a loss if the Entity defaults.

A credit risk value of zero indicates that there is no risk for entity and counterparty, if either defaults. The aim of managing collateral is to keep the risk value within certain exposure limits.

Margin Calls

When the value of principal or collateral asset changes, the lender requires more or less collateral to guarantee the loan and maintain the credit risk within acceptable limits. This relationship is shown in Figure 2-4.

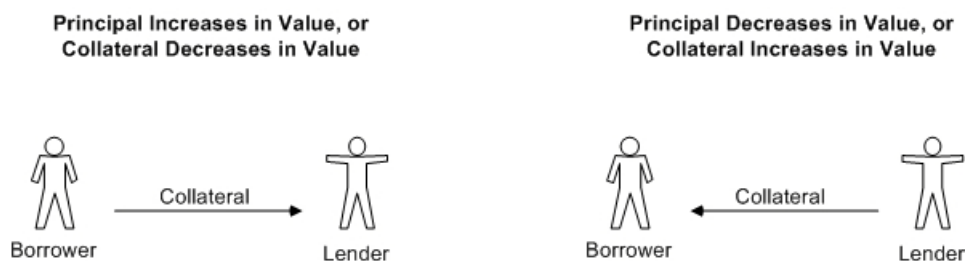


Figure 2-4 Asset value changes and collateral transfers.

Users can perform margin calls at any time when the credit risk for either the entity or the counterparty exceeds pre-defined limits.

RISQUE supports the following margin calls:

- Cash Margin Calls — for adjusting Collateral Value using cash.
- Securities Margin Calls— for adjusting the Collateral Value using securities.

Table 2-1 outlines the sign and quantity to use for each type of margin call to bring the credit risk back to within acceptable limits.

Table 2-1 Margin call types and purposes.

Credit Value	Description	Required Action
Credit Risk Value > 0	The Entity requires more collateral from the counterparty.	Cash or Securities Margin Call with call amount and transaction direction set to Receive .
		Securities Margin Call with call amount and transaction direction set to Receive .
Credit Risk Value < 0	The Entity needs to send collateral to the counterparty.	Cash Margin Call with call amount and transaction direction set to Pay .
		Securities Margin Call with call amount and transaction direction set to Pay .

RISQUE usually creates a commission instrument for cash margin calls, and a Loan on Stock instrument for securities margin calls. Margin call tickets are usually placed in the Collateral Portfolio that is linked to the agreement to keep them separate from the product being guaranteed. However, tickets for margin calls on the following transactions are placed in the same position as the main ticket:

- Security versus Cash Collateral with a per-contract guarantee.
- Security versus Cash Collateral with a margin call.

Margin call tickets, except for margin calls Securities versus Cash, use the business event that is specified for the margin call type in the Stock Loan tab of the Back Office Parameters window. Margin calls on Securities versus Cash use the "Margin Call" business event.

You can manage the margin call tickets using the Back Office workflows (Kernel and Securities Workflows). See the *Back Office User Guide* for more information.

For detailed information on performing margin calls, see the *Collateral Management Guide*.

Auditing

Audit history functions are available for the following elements of Collateral Management:

- Collateral Conventions.
- Collateral Agreements and their parameters. .
- The Convention Selector.

Chapter 3 Advanced CFD Templates

This chapter describes the implementation of templates with the Advanced CFD module in RISQUE.

This chapter describes:

- *CFD Templates on page 17*
 - *Creating a CFD Template on page 17*
 - *Basic CFD Compatibility on page 21*

CFD Templates

You can create CFD templates in RISQUE using the Advanced CFD module. These templates are associated with CFD agreements, and allow you to define how interest, realised, and unrealised payments are calculated.

Creating a CFD Template

To create a CFD template, do the following:

- 1 Select **Contracts for difference** from the **Instruments** menu.
The **Contract for difference** window is displayed.

- 2 Press Ctrl+N to open the **Contract for difference** template dialog, as shown in figure 3-1:

Note

You can also open the dialog by double-clicking on an existing CFD.

Figure 3-1 Contract for difference dialog.

- 3 Enter the information into the fields of the **Contract for difference** dialog.
For information on each field, see table 3-1.
- 4 Press Ctrl+S to save the CFD template.

Important

In order to use CFD templates, they must be associated with a CFD agreement. For more information, see See "Assigning Templates to CFD Agreements" on page 23.

Table 3-1 describes the fields in the **Contract** frame of the **Contract for difference** dialog:

Table 3-1 Fields in the Contract frame.

Name	Description
Reference	The reference of the CFD template.
Name	The name of the CFD template. This field is mandatory.
Allotment	The CFD contract allotment.
Currency	The CFD payment currency.

Table 3-1 Fields in the Contract frame.

Name	Description
Convention	Specifies the convention of the CFD, where applicable.
Underlying	Specifies the CFD underlying. Note: You can open and modify the underlying by clicking the link next to the underlying name.

Table 3-2 describes the fields in the **Interest** frame of the **Contract for difference** dialog:

Table 3-2 Fields in the Interest frame.

Name	Description
IR Index	The rate index used to compute interest. Note: Clicking the IR Index link opens the Rate window for that index.
Payment Frequency	Defines the frequency of payments. Note: It is not possible to select Final as an option for CFD payment frequencies, although is it visible in the drop-down list.

Table 3-1 describes the fields in the **Performance Payment Rules** frame of the **Contract for difference** dialog:

Table 3-3 Fields in the Performance Payment Rules frame.

Name	Description
Notional Reset	The payment rule for the unrealised. The available options are as follows: <ul style="list-style-type: none"> • Never — The CFD notional is not updated. The unrealised is paid when the position is partially or totally closed. • At Interest Payment Frequency — The CFD notional is set to the spot at the interest payment frequency date.

Table 3-3 Fields in the Performance Payment Rules frame.

Name	Description
Realized	<p>The payment rule for the realised. The available options are as follows:</p> <ul style="list-style-type: none"> • Immediately — the CFD nominal is updated and the realised is paid at the payment date in the deposit of the CFD position. • Immediately with Cashpool — the CFD nominal is updated at the ticket payment date and the realised is put into the cash pool and funded at the cash pool rate from the CFD ticket payment date. • At Reset — the CFD nominal is updated at the reset date which is set in the Frequency field. • At Reset (Cashpool rate) — the CFD nominal is updated at the reset date and funded at the cash pool rate into the cash pool.
Dividend	<p>Indicates how dividends are paid. The available options are as follows:</p> <ul style="list-style-type: none"> • Immediately — the dividend is paid immediately. • Immediately with Cashpool — the dividend is paid directly to the cash pool. • At Reset — the dividend is put into the cash pool and paid on the reset date. • At Reset (Cashpool rate) — the dividends are put into the cash pool and paid on the reset date at cash pool rate.
Transaction Fees	<p>Specifies how transaction fees are to be assessed. The options are as follows:</p> <ul style="list-style-type: none"> • Upfront payment — specifies that fees are to be paid upfront. • In the average price — specifies that fees are deducted from the average price. • In average price and notional — specifies that fees are deducted from the average price and the notional.
Payment Offset	<p>The number of days of the payment offset after the reset date. The value date is therefore the reset date + lag.</p> <p>The options are as follows:</p> <ul style="list-style-type: none"> • Custom Lag — enables you to specify a custom lag. If this option is selected, a text box is displayed next to the Payment Offset drop-down list, where you can specify the lag value. • Underlying Market Lag — specifies the lag of the underlying market.

Basic CFD Compatibility

You can use the Basic CFD **Contract for difference** dialog to view and modify CFDs that you have created using the Advanced CFD module.

To open a CFD in Basic CFD mode, press **Alt** and double click on the CFD in the **Contract for difference** instruments list.

Basic CFD Computational Models in the Advanced CFD Module

The CFD model that you specify in the **Computation** drop-down list in the Basic CFD **Contract for difference** dialog does not have a direct equivalent field in the Advanced CFD **Contract for difference** dialog. In order to specify the equivalent computational model, the following fields should be set to the values described in table 3-4:

- **With Broker Fees** checkbox
- **Realized** drop-down list

Table 3-4 describes the equivalence between the computational models existing in the Basic CFD to that of the Advanced CFD module.

Table 3-4 CFD model equivalence

Basic CFD Model	Av. Price Computation With Broker Fees	Realized
Only when Short	Not taken into account	Immediately
Realized at Reset	Not taken into account	At reset
Average Price at Reset	Not taken into account	At reset
Fees & Average Price at Reset	Deducted from average price	At reset
Unrealized at Reset	Deducted from average price	Immediately

The following computational models are not supported in the Advanced CFD module:

- Reset wo Payment/Real Imm.
- Reset wo Payment/Realized at Reset
- Reset wo Payment/No Realized

Chapter 4 Advanced CFD Agreements

This chapter describes how to implement CFD agreements with the RISQUE Advanced CFD module.

This chapter describes:

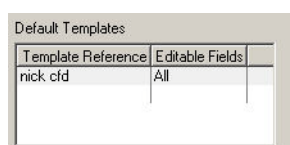
- "CFD Agreements" on page 23
- "Assigning Templates to CFD Agreements" on page 23
- "The CFD Model" on page 24
- "Specifying the Default CFD Fee Spread" on page 24
- "The CFD tab" on page 24

CFD Agreements

CFD agreements follow the same principal as agreements for stock loans and repos, as described in the *Collateral Management Guide*. Parameters specific to CFDs that exist in the **Collateral Agreements** dialog are described here.

Assigning Templates to CFD Agreements

In order to use CFD templates in an agreement, they must be added to the **Default Templates** list in the **General** tab of the **Collateral Agreements** dialog, as shown in figure 4-1:



Template Reference	Editable Fields
nick cfd	All

Figure 4-1 Default Template frame in the General tab

To upload a CFD template, drag and drop CFD templates from the **Contracts for difference** instrument list to the **Default Templates** list.

Double-clicking on the template in the list opens the template.

The CFD Model

CFD agreements must use the CFD model. For all CFD agreements, the **CFD Model** option is selected by default from the **Model** drop down list in the **Credit Risk Calculation** tab. This field cannot be modified, as shown in figure 4-2:

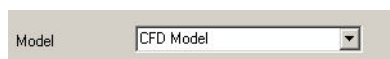


Figure 4-2 CFD Model

Specifying the Default CFD Fee Spread

You can specify the default fee spread that appears in the **CFD Fee Spread** field of **Contract for Difference input** dialog.

To do this, enter the spread into the **Long** and **Short** columns of the **Principal Stocks** tab in the **Collateral Agreements** dialog, as shown in figure 4-3:

	Short	Long
	0.00	0.00
	80.00	90.00

Figure 4-3 CFD Long and CFD Short columns

Note: Whether the value displayed in the **CFD Fee Spread** field of **Contract for Difference input** dialog is from the **Long** or the **Short** column is based on whether the deal is long or short and whether the CFD agreement type is buy or sell.

The CFD tab

The **CFD** tab in the **Collateral Agreements** dialog allows you to specify the reporting method, whether the agreement is buy- or sell-side, and from which geographical sector the dividend is calculated. The CFD tab is shown in figure 4-4:

Collateral Agreement 536x CFD Counterparty/536x CFD Entity/536x CFD Buy Side Long

General | Credit Risk Calculation | Margin Call | Collateral Stocks | Principal Stocks | Fees and Interest | Collateral Call | **CFD** | Threshold

Reporting: Buy/Sell Side: Buy

Dividend rebates:

Business Sector/Country Code	Short	Long
536	0.00	0.00
536x	80.00	90.00

Free Cash Account

Rate: Spread: 0.00 Collateral Transfer Threshold: 0.00

Free Cash Folio

Code: Name:

Figure 4-4 CFD tab in the Collateral Agreements dialog

Table 4-1 describes the fields in the **CFD** tab:

Table 4-1 Fields in the CFD tab (Sheet 1 of 2)

Name	Description
Reporting	<p>Specifies the order in which CFDs are reported. The available options are as follows:</p> <ul style="list-style-type: none"> • FIFO — first in, first out. • LIFO — last in, first out. • WAP — weighted average price. • Line Picking — line picking method. <p>Specifying one of these options overrides the reporting method specified when F8 (Reporting) is performed on CFD positions in the portfolio.</p> <p>Note: If Line Picking is chosen, and there is no line picking information on the position, the reporting method specified when F8 (Reporting) is performed is applied.</p> <p>Note: For more information on these reporting methods, see the <i>Portfolio Management Guide</i>.</p>

Table 4-1 Fields in the CFD tab (Sheet 2 of 2)

Name	Description
Buy/Sell Side	<p>Specifies whether the CFD agreement is buy- or sell-side. This affects whether a position is considered long or short, and business events are adjusted accordingly.</p> <p>The available options are:</p> <ul style="list-style-type: none"> • Buy — Specifies that the CFD agreement is buy-side. • Sell — Specifies that the CFD agreement is sell-side. • Use Global Pref — Uses the CFD_BUY/SELL_SIDE global preference, where 1 = buy-side and 2 = sell-side. This is the default value.
Business Sector/Country Code	The country codes that correspond to the agreement's index. The column is automatically populated from the CFD_SECTOR_ID global preference.
Dividend Rebate Short	The short spread to be used during dividend rebate calculation when the position is short.
Dividend Rebate Long	The long spread to be used during dividend rebate calculation when the position is long.

Free Cash Account

Note: The Free Cash Account frame is only available if the agreement is specified for sell-side CFDs. This is defined in the **Buy/Sell Side** drop-down list in the **CFD** tab.

Figure 4-5 shows the **Free Cash Account** frame:

The screenshot shows a software interface for the 'Free Cash Account' frame. It includes the following fields:

- Rate:** A dropdown menu with a yellow background and a small arrow icon.
- Spread:** A text input field with the value '0.00'.
- Collateral Transfer Threshold:** A text input field with the value '0.00'.
- Free Cash Folio:** A sub-frame containing:
 - Code:** A text input field with the value '0'.
 - Name:** A text input field.

Figure 4-5 Free Cash Account frame

Table 4-2 describes the fields in the **Free Cash Account** frame of the **CFD** tab:

Table 4-2 Fields in the Free Cash Account frame

Name	Description
Rate	Defines the floating rate of the free cash account.
Spread	Defines the spread to be used in the free cash account.
Collateral Transfer Threshold	Specifies the threshold. If a the CFD exposure for the agreement exceeds this threshold and there is cash in the free cash account, an automatic ticket is created to transfer the cash to the cash collateral account.
Code	Specifies the code of the folio where the cash tickets are generated.
Name	Specifies the name of the folio where the cash tickets are generated.

Chapter 5 Creating CFD Trades

This chapter describes how to create CFD trades with the RISQUE Advanced CFD module.

This chapter describes:

- *Creating CFD Trades on page 29*
 - *Modifying CFD Templates from the Input Dialog on page 33*
 - *Using Long and Short Interest Rates on page 33*

Creating CFD Trades

CFD trades are booked through the **Contract For Difference input** dialog, as shown in figure 5-1.

To open the **Contract For Difference input** dialog, select **Contract For Difference** from the **Ticket** menu in the **Portfolio window**.

Note You can also open the **Contract For Difference input** dialog by either dragging-and-dropping a CFD template from the instrument window, pressing Ctrl+N on a CFD position, or pressing Ctrl+Alt+F.

Figure 5-1 Contract for Difference input dialog

Table 5-1 describes the fields in the **Contract For Difference** input dialog.

Table 5-1 Fields in the Contract for Difference input dialog (Sheet 1 of 4)

Name	Description
Operation	The external reference of the position.
Underlying Ref	The name of the corresponding underlying. The name of the instrument is displayed to the right as a hyperlink.
PnL Date	The date on which the trade was created.
Trade Date	The date on which the trade was negotiated. It is possible to enter past or future trades. By default it displays the current date.
Time	Time (at the workstation) when the negotiation is made.
Payment Date	The specified payment date for the trade.

Table 5-1 Fields in the Contract for Difference input dialog (Sheet 2 of 4)

Name	Description
Business Event	The business event that applies to the trade. See <i>CFD Business Events on page 54</i> for the list of available business events.
Portfolio	The portfolio in which the deal is created.
Operator	This field is automatically set to the user who is creating the deal.
Counterparty	The name of the counterparty. The list shown in the drop-down list box is made from all third parties that have been defined as counterparties and who can operate on the market.
Entity	The name of the entity. The list shown in the drop-down list box is made from all third parties that have been defined as entities and who can operate on the market.
Convention	The convention of the CFD deal. All conventions that match the selected entity and counterparty criteria are listed.
Agreement	The corresponding CFD agreement for the deal.
Template	<p>You can specify a template for the deal. The available templates are specified in the General tab of the Collateral Agreements dialog. By default, this field is populated with the name of the first template that matches the currency of the underlying of the CFD deal.</p> <p>When a template is selected, a link is displayed next to the text field. Click this link to view or modify the template. For more information, see <i>Modifying CFD Templates from the Input Dialog on page 33</i></p>
Contract	The name of the contract.
Broker	The name of the broker. The option shown in the drop-down list is made from all third parties that have been defined as brokers and who can operate on the defined market.
CFD Fee Spread	Displays the value specified in either the CFD Long or CFD Short columns of the Principal Stocks tab in the Collateral Agreements dialog, depending on whether the CFD is long or short.
Dividend Distributed Rate	Displays the rate for the dividends to be paid.

Table 5-1 Fields in the Contract for Difference input dialog (Sheet 3 of 4)

Name	Description
Initial Margin Ratio	<p>Displays the value specified in the Hedging in % column of the Principal Stocks tab in the Collateral Agreements dialog, minus 100%.</p> <p>For example, if the hedging in % value is 120%, the initial margin ratio is $120\% - 100\% = 20\%$.</p> <p>If the hedging in % is inverted, the ratio is calculated as follows: if inverted hedging in % is 95%, the initial margin ratio is $105\% - 100\% = 5\%$.</p>
Broker Fees	<p>Displays the broker fees that are relative to the Broker. They are calculated automatically from information set in the broker fees window for third parties. The broker fees can be modified if you have the relevant access right. The currency of the broker fees is displayed to the right.</p>
Counterparty Fees	<p>Specifies the counterparty fee. This field is populated automatically based on the Counterparty definition. The currency of the counterparty fees is displayed to the right.</p>
Market Fees	<p>Displays the market fees are relative to the counterparty and depository. They are calculated automatically from information set in the broker fees window for those third parties. The market fees can be modified if you have the right to do so. The currency of the market fees is displayed to the right.</p>
Net Amount	The net amount for the trade.
Exchange Rate	<p>The exchange rate for cross-currency CFDs. The currency pair can be selected in the drop-down list to the right.</p> <p>Note: This field is only displayed if the CFD is a cross-currency CFD.</p>
Quantity	The number of securities for the trade.
Price	The transaction unit price for the instrument being bought or sold.
Notional	The value of the underlying security, in the CFD currency.
Ticket ID	The reference ID of the ticket.
Dividend Date	<p>The payment date of the dividend, where applicable.</p> <p>Note: The dividend date is only displayed if the CFD underlying has a dividend due.</p>
Dividend Amount	<p>The amount of the dividend to be paid, where applicable.</p> <p>Note: The dividend amount is only displayed if the CFD underlying has a dividend due.</p>
Dividend Distributed Rate	The percentage of the dividend paid.

Table 5-1 Fields in the Contract for Difference input dialog (Sheet 4 of 4)

Name	Description
FO Remarks	This is a free input cell for comments by the Front Office.
BO Remarks	This is a free input cell for comments that are made by either the Middle or Back Office.
BO Status	The current back office status of the deal.
BO Workflow	The current back office workflow of the deal.

Modifying CFD Templates from the Input Dialog

You can temporarily modify the CFD template that you want to use from the **Contract for Difference input** window.

To modify a template, do the following:

- 1 Click the template link next to the **Template** drop-down list on the **Contract for Difference input** window.
The corresponding CFD template is displayed.
- 2 Modify the template as needed.
- 3 Click the **OK** button.
The template is modified for the current CFD trade.

Important

If you click the **Save** button, the template is permanently saved.

Using Long and Short Interest Rates

You can define long and short interest rates that enable you to specify different interest rates for CFD trades, particularly cross-over trades.

To define long and short interest rates for CFDs, do the following:

- 1 Select the interest rate with both long and short fixings that you want to use from the **IR Index** drop-down list in the **Interest** frame on the **Contract for difference** template window.

Note

You can also define a new interest rate with the long and short fixings in the **Rate** window. For more information, see the *Interest Rates* chapter of the *RISQUE Administration Guide*.

Example

The following is an example of using long and short interest rates for a buy-side, cross-over CFD trade.

In this example, the long rate is EONIA/LIBOR with a fixing of 6.0. This fixing is taken into account if the CFD is long. The short rate is EONIA, selected from the **Short Index** drop-down list on the **Rate** window, as shown in figure 5-2. The fixing is 10.0. This fixing is used if the CFD is short.

Historical "EONIA/LIBOR"

Rate	Total	EONIA/LIBOR	First	High	Low	Last	Theoreti...	Arbitrage
2010	-5	20/08/2010				6.0000		
2010	-4	19/08/2010				6.0000		
2010	-4	18/08/2010				6.0000		
2010	-4	17/08/2010				6.0000		
2010	-4	16/08/2010				6.0000		
2010	-4	13/08/2010				6.0000		
2010	-4	12/08/2010				6.0000		
2010	-4	11/08/2010				6.0000		

Rate "EONIA/LIBOR" 20/08/2010 23:59

Rate Definition: Ccy: EUR, Reference: EONIA/LIBOR, Name: EONIA/LIBOR, Term: 1 month, Decimal Units: 4, Basis: Actual/360, Frequency: monthly, Compounding: Linear, Spread (%): 0.00, Settlement Lag: 0, Curve Family: XXX.

Advanced: Model: Standard, Rate Type: User, Conv. Adj.: Time Adj., Leveraging Mode: No average, Index: XXX, Fixing Place: Dublin - EU, Calendar Place: Dublin, Frequency: Monthly, Price Increment: 0.0000, Short Index: EONIA.

Historical "EONIA"

EONIA	First	High	Low	Last	Theoret
20/08/2010				10.0000	
19/08/2010				10.0000	
18/08/2010				10.0000	
17/08/2010				10.0000	
16/08/2010				10.0000	
13/08/2010				10.0000	
12/08/2010				10.0000	
11/08/2010				10.0000	
10/08/2010				10.0000	
09/08/2010				10.0000	
08/08/2010				10.0000	
07/08/2010				10.0000	
06/08/2010				10.0000	
05/08/2010				10.0000	
04/08/2010				10.0000	
03/08/2010				10.0000	
02/08/2010				10.0000	
30/07/2010				10.0000	

Figure 5-2 Interest Rate Example

After specifying the EONIA/LIBOR interest rate in the **IR Index** drop-down list in the **Interest** frame on the **Contract for difference** template window, you can apply the rates.

For this example, book the following deal:

1m @ 12 on 17/08/2010 with a reset date of 20/08/2010. The position is long.

Next, launch a forecast on the position to generate the coupon, and transmit.

Open the **Daily CFD Fees Explanation** window for 20/08/2010 from the **CFD Report** window and observe the fixing in the **Fixing Rate** column. It will be the EONIA short fixing, since the position is short for the buy-side.

Note For more information about the **CFD Report** and the **Daily CFD Fees Explanation** window, see *Advanced CFD Reports* on page 37.

Note For a sell-side CFD, the rates are reversed.

Chapter 6 Advanced CFD Reports

This chapter describes the reports available in the RISQUE Advanced CFD.

This chapter describes:

- *CFD Reports on page 37*
 - *Accessing the CFD Report on page 38*
 - *Report Summary on page 38*
 - *Columns in the CFD Report Window on page 39*
 - *CFD Report Context Menu on page 43*
 - *Free Cash Accounts on page 43*
 - *Coupon Explanations on page 47*

CFD Reports

The **CFD Report** window provides an explanation of CFD positions, and displays an overview of, and detailed information about, the aggregate credit risk exposure for a specific collateral agreement. You can also view reports for multiple agreements.

Note The **CFD Report** is integrated with the Reporting Module. For more information, see the *Reporting Module User Guide*.

Important The positions in the CFD Report window are displayed in either the sell-side or buy-side view. This is automatically specified per agreement in the **Buy/Sell-Side** drop-down list in the **CFD** tab of the **Collateral Agreements** dialog.

Accessing the CFD Report

The report can be accessed from the **CFD Report** option in the context menu of the **Collateral Agreements** window. The **CFD Report** window is shown in figure 6-1:

04/08/2010 - CFD Report - CFD Counterparty/CFD Entity/O Convention [JPY]

Report View:

CFD Entity/Buy side

Net Exposure:

-762,652

Total Result:

16,917

Date:

04/08/2010

= Margin:

-742,188

= CFD Performance:

101,925

Generated:

04/08/2010 13:39:26

= Initial Margin:

-835,714

+ CFD & Collat Interests:

-77,378

MtM Method:

/

+ Variation Margin:

93,526

+ Free Cash Interest:

0

Agreement Currency:

JPY

+ MtM Exposure:

-34,664

+ Transaction Fees:

-7,630

Free Cash Deposit:

0

+ Collateral Sent:

14,200

Root	Underlying Currency	Average Price	Underlying Asset Value	Margin Rate	Initial Margin	Variation Margin	Margin	Accrued Interest	Balance	Broker Fees	CFD Notion
CFD Contracts			3,710,940		-835,714	93,526	-742,188	-74,248	51,535	8,905	2,321
49004	JPY	60.0000	60,000	20.00	-12,000		-12,000	-75	-100	100	60
41645	JPY	60.0000	36,000	20.00	-7,200		-7,200	40	-140	140	36
41645 (2)	JPY	60.0000	36,000	20.00	-7,200		-7,200	-45	-140	140	36
Open Test CFD Counterparty 1.00	JPY	110.000	20,000	20.00	-22,000	18,000	-4,000	-28			110
Open Test CFD Counterparty 5.00	JPY	110.000	20,000	20.00	-22,000	18,000	-4,000	137			110
Open Test CFD Counterparty 5.00	JPY	110.000	20,000	20.00	-22,000	18,000	-4,000	-137			110
Open Test CFD Counterparty 1.00	JPY	110.000	20,000	20.00	-22,000	18,000	-4,000	28			110
Adv Reset/Immediate 31/12	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	3,860	140	30
Adv Reset/At Reset 31/12	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,351	-140	140	30
Adv Reset/At Reset/Fee 31/12	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,351		140	30
Adv Reset/Immediate/Fee 31/12	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,705	3,920	140	30
Adv No Reset/Immediate Cashpool...	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	-140	140	30
Adv No Reset/Immediate 31/12	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	3,860	140	30
Adv No Reset/Immediate Cpool/Fee...	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,705		140	30
Adv Reset/Immediate Cashpool 31...	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	-140	140	30
Adv No Reset/Immediate/Fee 31/12	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,705	3,920	140	30
Adv No Reset/At Reset/Fee 31/12	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,351		140	30
Adv Reset/Immediate Cashpool/Fee...	JPY	50.1000	36,000	20.00	-6,012	-1,188	-7,200	-2,705		140	30
Adv Reset/At Reset Cashpool 31/12	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	-140	140	30
Adv No Reset/At Reset Cashpool...	JPY	50.0000	36,000	20.00	-6,000	-1,200	-7,200	-2,712	-140	140	30

Figure 6-1 CFD Report window

Each line represents a CFD position. Double-clicking on a line opens the **Movement** window for that CFD position.

The colours in the **CFD Report** window reflect the currency that the value is expressed in. For example, if EUR is defined as blue in RISQUE, values in EUR are displayed in blue in the **CFD Report** window.

Report Summary

The **CFD Report** window displays the following information in the header:

Note All values are in the currency specified in the **Ref. Currency** specified in the **Credit Risk Calculation** tab of the **CFD Agreements** dialog.

- **Report View** — specifies whether the view is entity or counterparty and buy or sell side.
- **Date** — displays the report date.

- **Generated** — displays the time and date that the report was generated on.
- **MtM Method** —
- **Agreement Currency** — specifies the currency that the agreement is in.
- **Free Cash Deposit** — The amount in the free cash account.
- **Net Exposure** — displays the total exposure for the agreement. The value is as follows:
margin + MtM exposure + collateral sent
- **Margin** — The value of the following:
initial margin + variation margin.
- **Initial Margin** — The CFD ticket nominal. This value is the sum hedging rate * ticket nominal.
- **Variation Margin** — based on the CFD position unrealised. This value is the hedging rate * unrealised.
- **MtM Exposure** — displays the unsettled CFD result and collateral interest. The value is as follows:
(realized performance unsettled + realized dividend rebate unsettled + realized interest unsettled + unrealized performance + accrued dividend rate + accrued interest) + (realized interest unsettled + accrued interest)
- **Collateral Sent** — the value of the outstanding collateral, equal to the cash deposit settled * cash pool haircut.
- **Total Result** — the value of the CFD performance + CFD & collat interests + free cash interest + transaction fees.
- **CFD Performance** — displays the CFD result linked to underlying performance, including dividends. The value is as follows:
unrealized performance + realized performance + accrued dividend + realized dividend.
- **CFD & Collat Interests** —displays the P&L linked to total interest on the CFD notional plus the total interest on the collateral.
- **Free Cash Interest** — displays the free cash interest amount. The value is as follows:
accrued interest + realized interest
- **Transaction Fees** — displays the sum of all fees. The value is as follows:
market fees + broker fees + counterparty fees

Columns in the CFD Report Window

Table 6-1 describes the columns in the **CFD Report** window:

Table 6-1 Columns in the CFD Report window. (Sheet 1 of 4)

Name	Description
Accrued Dividend	The dividend between the ex-div date and the record date. Takes the setting from the Coupon Lag check box on the Profit and loss tab on the Preferences window into account.

Table 6-1 Columns in the CFD Report window. (Sheet 2 of 4)

Name	Description
Accrued Interest	The interest amount since the last remuneration.
Average Price	<p>The average price of the CFD positions.</p> <p>Note: The average price is reset by payment of the unrealised.</p> <p>Note: The average price calculation is dependent on the Average price with fees instrument definition, as well as the reporting method specified in the Reporting drop-down list on the CFD tab on the Collateral Agreement window.</p>
Balance	<p>Specifies the settled of the CFD result. This is calculated as follows:</p> $\text{Balance} = \text{realized performance settled} + \text{realized dividend settled} + \text{realized interest settled}$
Broker Fees	The broker fees. This is dependent on the option specified in the Broker Fees drop-down list on the Profit and loss tab on the Preferences window.
CFD Notional	<p>The notional of the CFD on which interest is calculated. It is calculated as follows:</p> $\text{CFD notional} = \text{number of securities} * \text{average price}$
CFD Rate Name	Specifies the interest rate name.
Cash Deposit Settled	The margin call amount where the payment date is in the past, including today.
Cash Deposit Unsettled	The margin call amount where the payment date is in the future, not including today.
Cash Pool Haircut	The haircut in % of the cash deposit. This is taken from the value in the Pool Haircut in % column on the Collateral Stocks tab on the Collateral Agreement window.
Collateral Sent	The value of the outstanding collateral, equal to the cash deposit settled * cash pool haircut.
Counterparty Fees	The counterparty fees. This is dependent on the option specified in the Counterparty Fees drop-down list on the Profit and loss tab on the Preferences window.
Currency	The currency of the corresponding cash pool collateral deposit or of the free cash account.
Daily Accrued Interest	The daily accrued interest recorded on the reporting date.
Dividend Distributed Rate	Displays the current dividend distributed rate.

Table 6-1 Columns in the CFD Report window. (Sheet 3 of 4)

Name	Description
Fees in average price	Specifies whether the instrument takes fees into account when the average price is calculated. This is a boolean value.
Forex (Ccy vs Agreement Ccy)	The spot forex rate between the CFD currency and the agreement currency. This is used for the aggregation of risk indicators.
Forex (Ccy vs Underlying Ccy)	The spot forex rate between the CFD currency and the underlying currency. This is used to calculate the compo underlying mark-to-market price.
Initial Margin	The margin requirement based on the remaining deal notional.
Margin	The total margin requirement, based on the underlying asset value.
Margin Rate	The margin rate, as defined in the Margin Rate column on the Principal Stocks tab on the Collateral Agreement window.
Market Fees	The market fees. This is dependent on the option specified in the Market Fees drop-down list on the Profit and loss tab on the Preferences window.
Next Interest Date	The date on which interest will be paid on a cash guarantee. This date is determined from the Cash Pool Remuneration Frequency field in the Margin Call tab of the Collateral Agreement dialog.
Number of Securities	The number of securities per position. The value is taken from the corresponding portfolio. Note: The sign is opposite to that of the portfolio.
Position Ident	The identifier of the position.
Realized Dividend	The total realized dividend amount of the CFD. The value is calculated as follows: Realized dividend = realized dividend settled + realized dividend unsettled
Realized Dividend Settled	The dividend amount of the CFD that is already settled.
Realized Dividend Unsettled	The dividend amount of the CFD that is not yet settled.
Realized Interest	The total realized interest amount of the CFD. The value is calculated as follows: Realized interest = realized interest settled + realized interest unsettled
Realized Interest Settled	The realized interest amount that is already settled.

Table 6-1 Columns in the CFD Report window. (Sheet 4 of 4)

Name	Description
Realized Interest Unsettled	The realized interest amount that is not yet settled.
Realized Performance	The total realized performance amount of the CFD, calculated as follows: Realized performance = realized performance settled + realized performance unsettled
Realized Performance Settled	The amount in the realised ticket for the realised position, including payment date = today.
Realized Performance Unsettled	The amount in the realised ticket for the realised position, including payment date = future.
Result	The result of the CFD position. The value is calculated as follows: CFD result = unrealized performance + realized performance + accrued dividend + realized dividend + total interest
Total Interest	The total amount of the interest, paid or not paid.
Underlying Asset Value	The absolute asset value of the CFD underlying, based on the following calculation: Underlying asset value = abs(number of securities) * underlying MtM price * forex(CFD vs underlying)
Underlying Currency	The currency of the underlying.
Underlying ISIN	The ISIN code of the underlying.
Underlying MtM Price	The price of the underlying used for mark-to-market. It takes into account the Default Spot defined on the Credit Risk Calculation tab on the Collateral Agreement window.
Underlying Reference	The reference of the underlying.
Underlying Sector	The geographical sector of the underlying. This is used to define the dividend rate.
Unrealized Performance	The unrealized performance amount of the CFD, calculated as follows: Unrealized performance = number of securities * (spot - average price)
Variation Margin	The margin requirement based on the movement of the underlying asset.
Yesterday's Interest on Cash Deposit	The interest that has accumulated on the cash deposit since the last payment date, and from yesterday.

Column Configuration

You can select the following pre-defined column configuration sets from the Configuration drop-down list on the RISQUE toolbar:

- **Credit Risk Indicators**
- **Equity Performance**
- **Fees and Interests**

CFD Report Context Menu

The following options are available from the CFD Report window context menu:

- **CFD Fees Explanation (Standard)** — Opens the **CFD Fees Explanation** window. See *Standard CFD Fees Explanation on page 47*.

Note This command is only available when you select an individual position.

- **Daily CFD Fees Explanation** — Opens the **Daily CFD Fees Explanation** window. See *Daily CFD Fees Explanation on page 48*.

Note This command is only available when you select an individual position.

- **Open portfolio** — opens the portfolio containing the position.
- **Open contract** — opens the contract for the selected position.
- **Cash Margin Call** — Opens the Cash Margin Call dialog.

Important The **Cash Margin Call** command is only available for cash pool positions.

Free Cash Accounts

The free cash account is a cash account outside of the default collateral account. It consists of the following:

- It contains cash that is not used as collateral.
- You can move cash to and from the collateral and free cash accounts.
- The cash on the account is not taken into account for the exposure.
- Cash is moved out of the free cash account automatically for margin calls.

Figure 6-2 shows the **Free Cash** line in the CFD Report window:

Root	CFD / Cash Pool / Free Cash Currency	Cash Deposit Amount	Cash Deposit Haircut	Yesterday's Interest on Cash Deposit
▶ CFD Contracts	JPY			
▼ Cash Pool Collateral	JPY	901,543		
Cash Collateral JPY 0 JPY short	JPY	877,543	100.00	5,714
Cash Collateral JPY 0 JPY long	JPY	24,000	100.00	
▼ Free Cash		125,000		
Free Cash JPY 0 JPY short	JPY	125,000		

Figure 6-2 Free Cash line

Configuring the Free Cash Account

You must set up the free cash account in the **CFD** tab of the **Agreements** dialog.

To configure the free cash account for an agreement, do the following:

- 1 Double-click on the agreement that you want to configure the free cash account.
The **Agreements** dialog for that agreement is displayed.
- 2 Click the **CFD** tab of the **Agreements** dialog.
- 3 Define the parameters of the free cash account in the **Free Cash Account** frame.
For more information on these parameters, see *Free Cash Account* on page 26.
- 4 Save the changes to the agreement.

You must also define the currency and rate of a default collateral cash account.

To configure the currency and rate of the default collateral cash account, do the following:

- 1 Double-click on the agreement that you want to configure the free cash account.
The **Agreements** dialog for that agreement is displayed.
- 2 Click the **Margin Call** tab of the **Agreements** dialog.
- 3 Select **Yes** from the drop-down list in the **Default** column of the **Cash Collateral Remuneration** table for the collateral account that you would like to specify as the default.

Transferring Collateral To/From the Free Cash Account

You can transfer cash between the free cash and collateral cash accounts. To transfer collateral, do the following:

- 1 Click the **Transfer Collateral** command from the context menu of the free cash account.

The **Transfer To/From Collateral Cash** dialog is displayed, as shown in figure 6-3:

Figure 6-3 Transfer To/From Collateral Cash dialog

- 2 Specify the amount to transfer in the **Cash Amount** text box.
- 3 Specify whether the collateral cash is transferred to or from the free cash account. The following options are available in the **Receive/Deliver** drop-down list:
 - **Deliver** — specifies that cash collateral is delivered to the free cash account.
 - **Receive** — specifies that cash collateral is received from the free cash account to the collateral cash account.

If this option is selected, the **Net Amount** becomes negative, indicating that amount is withdrawn from the free cash account and sent to the collateral cash account.
- 4 If needed, define a new date in the **Transfer Date** or **Value Date** text boxes.

Note The currency and rate of the free cash is taken from the **CFD** tab of the **Collateral Agreements** dialog for the agreement. The currency and rate of the collateral cash is taken from the **Cash Collateral Remuneration** frame in the **Margin Call** tab of the **Collateral Agreement** dialog.

Adjusting the Free Cash Account

You can transfer money into or out of the free cash account. To transfer money, do the following:

- 1 Click the **Debit/Credit Free Cash** command from the context menu of the free cash account.

The **Debit/Credit Free Cash Pool** dialog is displayed, as shown in figure 6-4:

Figure 6-4 Debit/Credit Free Cash Pool dialog

- 2 Specify the amount to transfer in the **Cash Amount** text box.
- 3 Specify whether the cash is transferred to or from the free cash account. The following options are available in the **Receive/Deliver** drop-down list:
 - **Deliver** — specifies that cash is delivered to the free cash account.
 - **Receive** — specifies that cash is transferred from the free cash account.

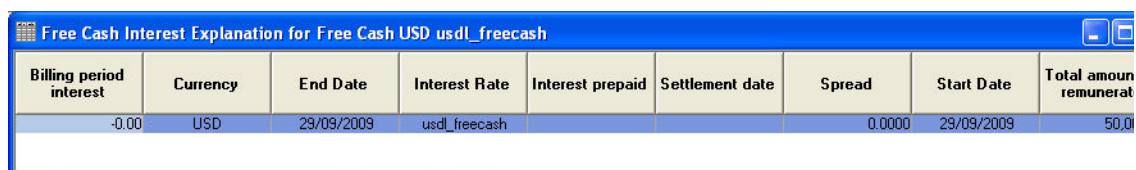
If this option is selected, the **Net Amount** becomes negative, indicating that amount is withdrawn from the free cash account.

Free Cash Explanations

You can view standard and daily explanations for the free cash account. To view explanations, select one of the following from the context menu of the free cash account:

- **Free Cash Interest Explanation (Standard)**
- **Daily Free Cash Interest Explanation**

Figure 6-5 shows the **Free Cash Interest Explanation (Standard)** window:



Billing period interest	Currency	End Date	Interest Rate	Interest prepaid	Settlement date	Spread	Start Date	Total amount remunerat
-0.00	USD	29/09/2009	usdl_freecash			0.0000	29/09/2009	50.0

Figure 6-5 Free Cash Interest Explanation

Figure 6-6 shows the **Daily Free Cash Interest Explanation (Standard)** window:



Start Date	End Date	Spread	Currency	Billing period interest	Interest prepaid	Interest Rate	Fixing Rate	Fixing Dal
01/10/2009	05/10/2009	2.0000	USD	-6,575.34		usdl_freecash	4.00	01/10/200

Figure 6-6 Daily Free Cash Interest Explanation

For information on cash interest explanations, see the “Collateral Interest Explanation” section of the **Collateral Management Guide**.

Coupon Explanations

The Advanced CFD module provides standard and daily CFD cash explanations for funding costs.

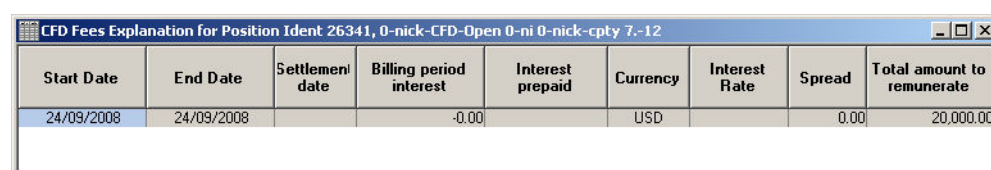
Standard CFD Fees Explanation

The **CFD Fees Explanation** window displays a summary of the interest due on cash pool CFDs.

To open the **CFD Fees Explanation** window, do the following:

- 1 Right-click a line in the **CFD Report** window.
- 2 Select **CFD Fees Explanation (Standard)** from the context menu.

The **CFD Fees Explanation** window is displayed, as shown in figure 6-7:



Start Date	End Date	Settlement date	Billing period interest	Interest prepaid	Currency	Interest Rate	Spread	Total amount to remunerate
24/09/2008	24/09/2008		-0.00		USD		0.00	20,000.00

Figure 6-7 CFD Fees Explanation window

Table 6-2 describes the columns in the **CFD Fees Explanation** window:

Table 6-2 Fields in the CFD Fees Explanation window

Name	Description
Billing period interest	The interest that has accumulated on cash collateral since the last payment date.
Currency	The currency.
End Date	The end of the period for commission and interest.
Interest prepaid	The amount of interest prepaid.
Interest Rate	The interest rate.
Settlement date	The settlement date to apply to the margin call instrument. The default is today's date.
Spread	The spread that was applied to the calculate the interest. The spread is specified in the General Rules per Allotment frame of the Principal Stocks tab in the Collateral Agreement dialog.
Start Date	The beginning of the period for commission and interest.
Total amount to remunerate	The total amount to remunerate.

Daily CFD Fees Explanation

The **Daily CFD Fees Explanation** window displays a detailed view of the interest due on cash pool or cash collateral CFDs, including the floating rate, if applicable.

To open the **Daily CFD Fees Explanation** window, do the following:

- 1 Right-click a line in the **CFD Report** window.
- 2 Select **Daily CFD Fees Explanation** from the context menu.

The **Daily CFD Fees Explanation** window is displayed, as shown in figure 6-8:

Start Date	End Date	Settlement date	Billing period interest	Interest prepaid	Currency	Interest Rate	Spread	Fixing Date	Fixing Rate	Total remuneration
24/09/2008	24/09/2008		-0.00		USD		0.00		0.00	

Figure 6-8 Daily CFD Fees Explanation window

Table 6-3 describes the columns in the **Daily CFD Fees Explanation** window:

Table 6-3 Columns in the Daily CFD Fees Explanation

Name	Description
Billing period interest	The interest that has accumulated on cash collateral since the last payment date.
Currency	The currency.
End Date	The end of the period for commission and interest.
Fixing Date	The fixing date.
Fixing Rate	The value of the floating rate when it was fixed.
Interest prepaid	The amount of interest prepaid.
Interest Rate	The interest rate.
Settlement date	The settlement date to apply to the margin call instrument. The default is today's date.
Spread	The spread that was applied to the calculate the interest. The spread is specified in the General Rules per Allotment frame of the Principal Stocks tab in the Collateral Agreement dialog.
Start Date	The beginning of the period for commission and interest.
Total amount to remunerate	The total amount to remunerate.

Chapter 7 Advanced CFD Business Events

This chapter describes the business events and back office parameters needed to use the RISQUE Advanced CFD module.

This chapter describes:

- *CFD Business Events and Back Office Parameters on page 52*
 - *CFD Back Office Tab on page 52*
 - *CFD Business Events on page 54*

CFD Business Events and Back Office Parameters

CFD Back Office Tab

The **CFD** tab of the **Back Office Parameters** dialog allows you to specify business events for CFD deals, based on long or short CFDs. The **CFD** tab is shown in figure 7-1:

The screenshot shows the 'Back Office Parameters' dialog box with the 'CFD' tab selected. The dialog is divided into three main sections:

- Purchase/Sell Business Events:** Contains dropdowns for 'Opening Long', 'Opening Short', 'Long', 'Short', 'Cross-Over Long', 'Cross-Over Short', and 'Close'. All are set to 'CFD'.
- Forecast Business Events:** Contains dropdowns for 'Performance', 'Funding Fees', and 'Dividends'. All are set to 'CFD'.
- Cash Pool Business Events:** Contains dropdowns for 'P&L to Cash Pool', 'Debit/Credit Free Cash', and 'Transfer Free Cash'. All are set to 'CFD'.

At the bottom, there is a 'Fee spread' dropdown set to 'Applies to position' and 'OK' and 'Cancel' buttons.

Figure 7-1 CFD tab of the Back Office Parameters dialog

Table 7-1 describes the fields in the **Purchase/Sell Business Events** frame on the **CFD** tab:

Table 7-1 Fields in the Purchase/Sell BE frame (Sheet 1 of 2)

Name	Description
Opening Long	Specifies the business event of the CFD position when opened long.
Opening Short	Specifies the business event of the CFD position when opened short.
Long	Specifies the business event of an open CFD position when it is long.

Table 7-1 Fields in the Purchase/Sell BE frame (Sheet 2 of 2)

Name	Description
Short	Specifies the business event of an open CFD position when it is short.
Cross-Over Long	Specifies the business event of the CFD position when going from short to long.
Cross-Over Short	Specifies the business event of the CFD position when going from long to short.
Close	Specifies the business event of the CFD position when it is closed.
Debit/Credit Free Cash	Specifies the business event when cash is credited or debited to the free cash account.
Transfer Free Cash	Specifies the business event when cash is transferred between the free cash and collateral account.
Fee spread	The following options are available: <ul style="list-style-type: none"> • Applies to deal • Applies to position

Table 7-2 describes the fields in the Forecast Business Events frame on the CFD tab:

Table 7-2 Fields in the Forecast Business Events Frame

Name	Description
Performance	Specifies the business event for cash movements if the CFD position has a realized amount. The default event is Margin Call .
Funding Fees	Specifies the business event for interest payments on the CFD position. The default event is Coupon .
Dividends	Specifies the business event for dividends that are not paid to the cash pool. The default event is Commissions .

Table 7-3 describes the fields in the Forecast Business Events frame on the **Cash Pool Business Events** frame:

Table 7-3 Fields in the Cash Pool Business Events Frame

Name	Description
P&L to Cash Pool	Specifies the business event that enables you to pay the interest from the CFD position to the cash pool. This is used only if Immediately with Cash Pool is specified as the payment option in the Realized drop-down list on the Contract for Difference input window.

Table 7-3 Fields in the Cash Pool Business Events Frame

Name	Description
Debit/Credit Free Cash	Specifies the business event when cash is credited or debited to the free cash account.
Transfer Free Cash	Specifies the business event when cash is transferred between the free cash and collateral account.

CFD Business Events

Table 7-4 describes the tickets that can be generated during the life cycle of a CFD, and their corresponding business events:

Table 7-4 CFD Tickets and Business Events

Ticket	Business Event	Description
New CFD Short	Opening CFD Short	Applied when the position is opened short.
CFD Short	CFD Short	Applied when the existing position is short.
New CFD Long	Opening CFD Long	Applied when the position is opened long.
CFD Long	CFD Long	Applied when the existing position is long.
Dividend	Dividend Rebate	Applied when the dividend is generated on the payment date from the Dividends table.
Margin Call	Cash Margin Call	Applied when a cash margin call is performed.
Realized	Realized	Applied when the realised ticket is generated on a partially or fully closed position.
Performance Interest on Realized	Coupon	Applied when the interest on the realised is paid, if the interest is not paid immediately.
Interest on Dividends	Coupon	Applied when the interest on the dividend is paid, if you are not paying the dividend immediately.
Maturity	Expiry	Applied when the end date of the agreement is reach, or a maturity modification is performed.

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