

RISQUE

Advanced Stock Loan Module

Version

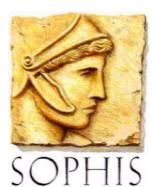
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Advanced Stock Loan Module User Guide

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User Guide

Preface

About this Guide

This guide is written for anyone that uses the Collateral Management module.

How to use this Guide

This guide provides information about the functions that are provided by the Collateral Management 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 filenames, 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.

Document	Description
<i>Back Office User Guide</i>	<p>Describes the modules that comprise the Back Office functionality and provides procedures for configuring and using them. The modules include:</p> <ul style="list-style-type: none">• Back Office Kernel• Confirmations and Payments (OTC)• Settlements (Securities)• Accounting <p>In addition, it describes the Back Office user rights.</p>
<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>	Describes the RISQUE architecture, and provides procedures for installing the RISQUE application.
<i>RISQUE Instrument Reference Guide</i>	Describes working with instruments in RISQUE and provides procedures for the following: <ul style="list-style-type: none">• Creating instruments• Editing instruments• Referencing instruments• Configuring Listed Markets• Instrument Lists
<i>RISQUE Portfolio Management Guide</i>	Describes the aspects of managing trades in RISQUE and provides procedures for the following: <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 Stock Loan Introduction

This chapter describes the RISQUE Advanced Stock Loan (ASL) module for creating and managing stock loans.

This chapter describes:

- *Advanced Stock Loan Features*
- *Contract Types*

Advanced Stock Loan Features

The Advanced Stock Loan Module provides enhanced functionality for managing stock loans and repos. It ensures that deals on those instruments comply with the parameters set out in the collateral agreements, provides Templates for creating new deals on stock loan, repo and CFDs and restrict the fields that users can edit when completing a new deal.

It also provides an additional window, the **Stock Loan and Repo Mgt** window, for managing stock loans and repos and different types of guarantee.

Important

When the Advanced Stock Loan Module is enabled, new stock loans, repos, and contracts for differences must comply with Collateral Agreement parameters.

Users can only book stock loans, repos, and CFDs using the Stock Loan / Repo Input dialog, and they are prevented from creating new deals on those instruments directly from the Portfolio. For example, if you try to book a deal on a repo by dragging the instrument to a portfolio, or by selecting a repo instrument from the Deal Input window, RISQUE displays an error message.

To use the Advanced Stock Loan Module for an agreement, you must enable it in the RISKPREF table, and set the **Model** in the **Credit Risk Calculation** tab to "Lending and Borrowing."

Note For detailed information on creating and using collateral agreements, see the *Collateral Management Guide*.

Functionality Provided

The ASL module provides the following:

- Access to the Advanced Stock Loan functionality through the “Lending and Borrowing” option in the **Credit Risk Calculation** tab in the Collateral Agreements parameters window.
- Access to the **Stock Loan and Repo Mgt** window for managing collateral for individual contracts or pools and for viewing a summary of the guarantee types.
- Use of templates for creating stock loans, repos, and CFDs.
- Reuse of Stock loan, repos, and CFD instrument for the same agreement, which reduces the number of instruments that are stored in the database.
- Access to the following options in the context menu in the Portfolio window when the Hierarchical View is shown:
 - Maturity Modification — for changing the maturity date of the stock loan, repo or CFD.
 - Spot Modification — for changing the spot of the underlying of the stock loan, repo or CFD.
 - Partial Return — for returning a portion of the principal, and also of the collateral depending on the collateral type.

Enabling the Advanced Stock Loan Module

To enable the Advanced Stock Loan module, do the following:

- 1 From the **Edit** menu, select **SQL Query**. Enter the SQL command:

```
Select * from riskpref
```

This retrieves and displays the contents of the RISKPREF table.

- 2 Enter the following SQL command to enable the Advanced Stock Loan module:

```
Update riskpref set prefvaleur = '0' where prefnom = 'OldStockLoan'
```

- 3 Restart RISQUE.

Disabling the Advanced Stock Loan Module

To disable the Advanced Stock Loan module, do the following:

- 1 From the **Edit** menu, select **SQL Query**. Enter the SQL command:

```
Select * from riskpref
```

This retrieves and displays the contents of the RISKPREF table.

- 2 Enter the following SQL command to disable the Advanced Stock Loan module:

```
Update riskpref set prefvaleur = '1' where prefnom = 'OldStockLoan'
```

- 3 Restart RISQUE.

Contract Types

The Advanced Stock Loan module currently supports the following contract types:

Contract per Contract

Contract per contract types are used for contracts with separate collateral contracts for each deal. This type is further divided into the following:

- Security vs. Cash per Contract — a loan of securities with cash as collateral.
- Cash vs. Security per Contract — a repo with securities as collateral.
- Cash vs. No Collateral — a repo with no collateral.
- Security vs. Security per Contract — a loan of securities using securities as collateral.
- Security vs. No Collateral — a loan of securities with no collateral.

Per Pool

- Security vs. Cash Pool — stock loans that use a cash pool as collateral.
- Security vs. Security Pool — stock loans that use a securities pool as collateral.
- Cash vs. Security Pool — repos that use a securities pool as collateral.

Tri-Party

- Security vs. Tri-Party

Chapter 2 Introduction

This chapter describes the fundamentals of collateral management and its implementation in RISQUE.

This chapter describes:

- "*Collateral Management*" on page 15.
- "*Conventions*" on page 17.
- "*Collateral Agreements*" on page 17.
- "*Credit Risk Calculation*" on page 18.
- "*Margin Calls*" on page 19.
- "*Auditing*" on page 20.

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.

The bi-lateral agreement of collateral management is shown in figure 2-1:

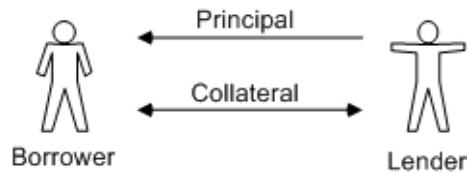


Figure 2-1 Bi-lateral agreement for collateral management

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:

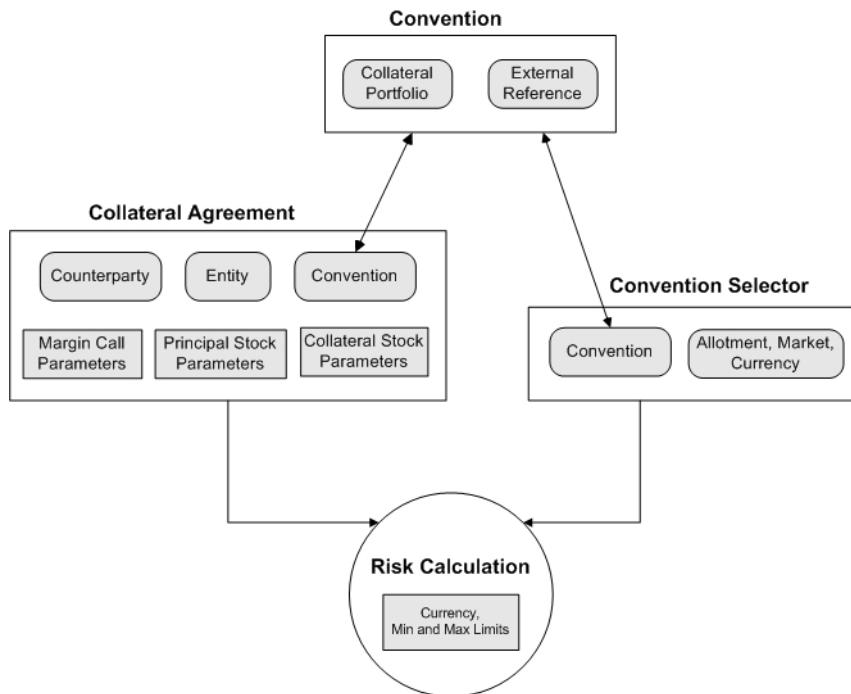


Figure 2-2 Elements of collateral management in RISQUE

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. See "Credit Risk Calculation" on page 18 for more details about the method of calculating credit risk.

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.

The tri-party agreement of collateral management is shown in figure 2-3:

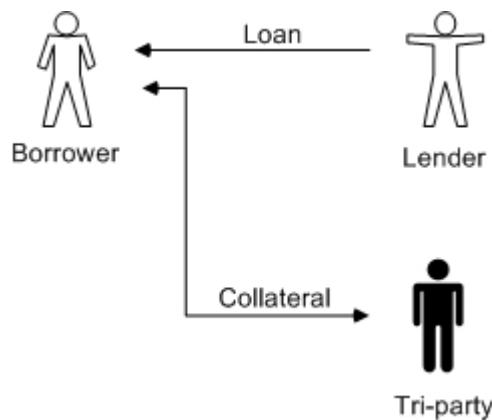


Figure 2-3 Tri-Party agreement for collateral management

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.

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:

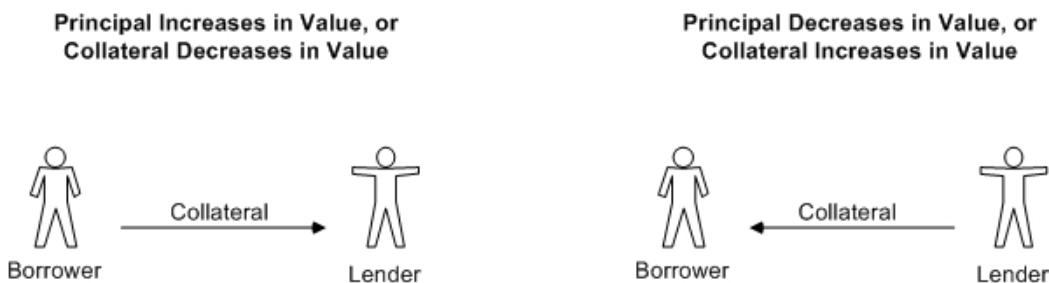


Figure 2-4 Asset value changes and collateral transfers

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 Creating Stock Loan Instruments

This chapter describes using the Advanced Stock Loan module to create stock loan instruments.

This chapter describes:

- *Advanced Stock Loan Templates on page 22*
 - *Template Selector Window on page 22*
- *Creating Stock Loan Instruments on page 23*
 - *Viewing Stock Loan Instruments on page 26*
- *Stock Loan Parameters on page 27*
 - *Principal on page 28*
 - *Callable Loan on page 31*
 - *Commission on page 32*
 - *Collateral on page 34*
 - *Dividends and Coupons on page 35*
 - *Miscellaneous on page 36*
- *Long and Short Interest Rates on Cash Pool Stock Loans on page 36*
- *Stock Loan Baskets on page 38*
 - *Requirements of a Stock Loan Basket Deal on page 38*
 - *Booking a Stock Loan Basket Deal on page 39*
 - *Managing the Content of Stock Loan Baskets on page 40*
 - *Modifying Deals in a Stock Loan Basket on page 44*

A stock loan is a term that represents the action of lending securities to another party, in return for commission fees and collateral in the form of cash or securities. The borrower may provide the collateral on a loan-by-loan, or contract, basis, or from a collateral pool that guarantees several loans.

The borrower also provides the lender with the dividends that are paid out on the borrowed stock. The lender returns dividends paid out on the collateral securities or remunerates interest earned on the cash collateral.

Advanced Stock Loan Templates

The Advanced Stock Loan module allows you to quickly book a stock loan using an existing stock loan as a template. It ensures that new stock loans are subject to conditions defined in a lending and borrowing agreement between the entity and third parties.

Template Selector Window

The **Stock Loan Template Selector** window allows you to choose a template that ties a stock loan to an agreement through the entity, counterparty, and convention that have been selected.

To open the **Stock Loan Template Selector** window, select **Stock loan/repo** from the **Tickets** menu in the Portfolio window.

Note

You can also open the **Stock Loan Template Selector** by pressing **Ctrl+Alt+N**.

Figure 3-1 shows the **Stock Loan Template Selector** window:

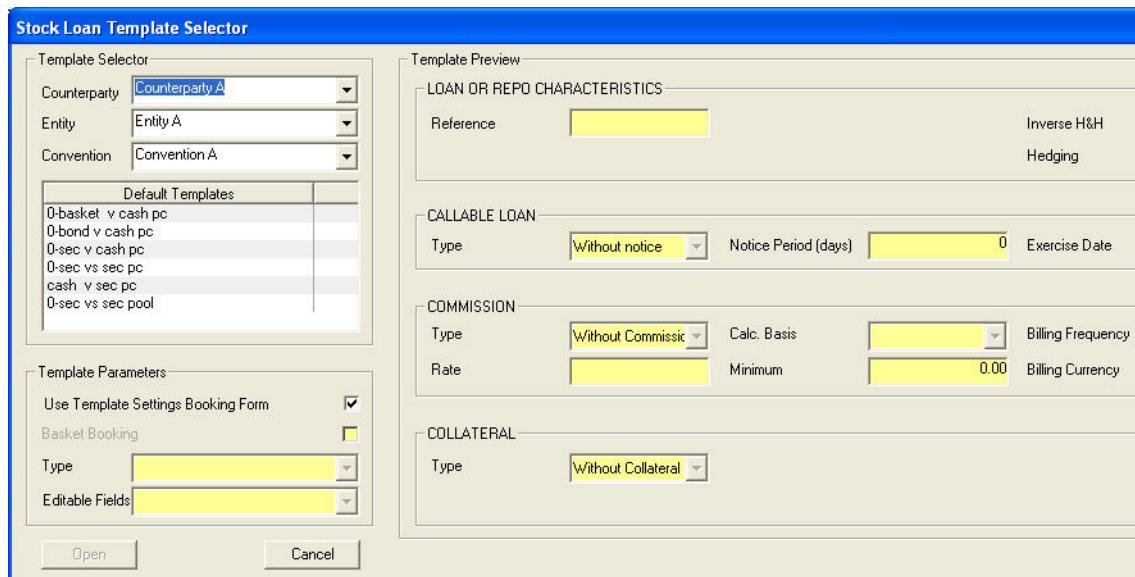


Figure 3-1 Stock Loan Template Selector window

The **Stock Loan Template Selector** window contains the following fields, as described in table 3-1:

Table 3-1 Stock Loan Template Selector fields.

Name	Description
Counterparty	Specifies the counterparty for the template.
Entity	Specifies the entity for the template.

Table 3-1 Stock Loan Template Selector fields.

Name	Description
Convention	Specifies the convention for the template.
Default Templates	Lists all available templates for the specified counterparty, entity, and convention.
Use Template Setting Booking Form	Specifies whether to open the Stock Loan / Repo Input dialog from the template.
Basket Booking	Specifies whether the Basket Composition window for the stock loan opens immediately along with the Stock Loan / Repo Input dialog. Note: Only available if the stock loan is on a basket.
Type	Specifies the type of stock loan.
Editable Fields	Specifies which fields in the Stock Loan / Repo Input dialog are editable.
Template Preview	Displays a preview of the stock loan fields. The fields are not editable.

Creating Stock Loan Instruments

The **Security loan/repo** option in the **Tickets** menu allows you to simultaneously create a loan on stock instrument and book the stock loan.

To book a stock loan using the **Tickets** menu, do the following:

- 1 Select the portfolio that you want to book the stock loan in.
- 2 Click the **Tickets** icon, and select **Security Loan/Repo** from the menu.

The **Stock Loan Template Selector** window is displayed

Note

See *Template Selector Window on page 7*.

- 3 Select a counterparty, entity, and convention for which a collateral agreement has been configured.

For more information about collateral agreements, see the *RISQUE Collateral Management User Guide*.

4 Select a template from the list of **Default Templates**.

The **Stock Loan / Repo Input** dialog is displayed, as shown in figure 3-2:

PRINCIPAL

Operation Name	Open SHAR Counterparty A 7.20	Model	Stock Loan
Principal Ref.	SHARE 1	Lending	Composition
Principal Ccy	SHARE 1	Quantity	0
Principal Spot / EUR	15.0000	Start Date	18/12/2009
Collateralised Spot / USD	14.6391	Maturity	

COLLATERAL

Type	Stocks	Contract Type	Per Contract
Ref. Stock	0-nick	0-nick	
Haircut	100.00	Last Spot	10.0000
Shares Quantity	2		

HEDGING

Hedging	100.00	Delivery	Reit
Inverse H&H	Use Global Pref	Pnl Pricing	Use p&l Pref

AGREEMENT

Counterparty	Counterparty A		
Entity	Entity A	Allotment	haroonallotment
Convention	Convention A	Agreement Name	Collateral Agreement A

COMMISSION

Type	Fixed Price	Rate	7.2000
Calc. Basis	Actual/360	Minimum	0.00
Billing Frequency	29th day	Billing Currency	EUR

DIVIDEND / COUPON

Date				
Distributed Rate	100.000000	Dividend	01/10/2010	123.000000

BACK OFFICE

Depository	XXX	SM/DT	XXX
Depository of Counterparty	XXX	Payment Method	XXX
		Broker	XXX

CALLABLE LOAN

Type	Without notice
------	----------------

TRADE INFORMATION

Trade Date	18/12/2009	Time	13:24:08	Real
Payment Date	18/12/2009	Portfolio	Yvonne	
Mirror Rule	No Mirroring	Operator	MANAGER	

COLLATERAL BACK OFFICE

Depository	XXX	SM/DT	XXX
Depository of Counterparty	XXX	Payment Method	XXX
BO Workflow	SOPHIS STANDARD WF		

FEES

Broker Fees	0.00	Counterparty Fees	0.00	Market Fees	0.00
-------------	------	-------------------	------	-------------	------

ACTIONS

New deal pending	BO Status	No Status
New deal accept	Ticket ID	(98765432)
	BO Workflow	SOPHIS STANDARD WF

REMARKS

Remarks	
FO Remarks	
BO Remarks	

Cancel

Figure 3-2 Stock Loan / Repo Input window

The **Stock Loan / Repo Input** dialog has the following structure, as described in table 3-2:

Table 3-2 Fields in the Stock Loan / Repo Input dialog

Loan-Specific Fields	Instrument-Specific Fields	Deal Ticket Fields
<p>Loan-specific fields are as follows:</p> <ul style="list-style-type: none"> • Instrument Type • Direction of loan • Real or Simulation Mode • Nb of Securities • Loan price • Coll. Price 	<p>Instrument-specific fields are located in the following frames:</p> <ul style="list-style-type: none"> • PRINCIPAL • CALLABLE LOAN • COMMISSION • COLLATERAL <p>See the <i>Instrument Reference Guide</i> for more details.</p>	<p>Deal-specific fields are located underneath the instrument-specific fields at the bottom of the window.</p>

5 For the loan-specific fields, do the following:

- **Instrument Type**—select “Stock Loan”.
- **Direction of loan**—Select “Lending” when the Entity is loaning the shares to a third party. Otherwise, select “Borrowing.”
- **Real or Simulation Mode**—Select the appropriate mode.
- **Quantity** —After entering the instrument reference, enter the number of securities that the loan covers.

6 Complete the remaining stock loan instrument and deal parameters.

Note See *Stock Loan Parameters* on page 27 for detailed information about the parameters in the **Stock Loan / Repo Input** dialog.

7 Click the Back Office event button to book the stock loan.

After booking the loan, a position is created in the ticket’s portfolio for each of the following:

- Loan, that is, the principal.
- Underlying instrument of the loan.
- Underlying instrument of the collateral.

Viewing Stock Loan Instruments

To view stock loans, do the following:

- 1 Select **Loans on Stock** from the **Instruments** menu.
The **Loans on Stock** window is displayed.
- 2 Double-click the stock loan that you want to view.

Stock Loan Parameters

The **Stock Loan / Repo Input** dialog displays information about stock loans, and margin calls on stock loans, which are also stored in loan on stock instruments. Figure 3-3 shows an example:

PRINCIPAL

- Model: Stock Loan
- Operation Name: Open SHAR Counterparty A 7.20
- Principal Ref.: SHARE 1
- Principal Coy: SHARE 1
- Principal Spot / EUR: 15.0000
- Collateralised Spot / USD: 14.6391
- Quantity: 0
- Start Date: 18/12/2009
- Maturity:
- Hedging: 100.00
- Inverse H&H: Use Global Pref
- Delivery: Relit
- PnL Pricing: Use p&l Pref

COLLATERAL

- Type: Stocks
- Ref. Stock: 0-nick
- Haircut: 100.00
- Last Spot: 10.0000
- Shares Quantity: 2
- Fx Principal/Coll.: 0.9759 EUR / U

AGREEMENT

- Counterparty: Counterparty A
- Entity: Entity A
- Allotment: haroonallotment
- Convention: Convention A
- Agreement Name: Collateral Agreement A

COMMISSION

- Type: Fixed Price
- Calc. Basis: Actual/360
- Billing Frequency: 29th day
- Rate: 7.2000
- Minimum: 0.00
- Billing Currency: EUR

CALLABLE LOAN

- Type: Without notice

TRADE INFORMATION

- Trade Date: 18/12/2009
- Time: 13:24:08
- Real: Real
- Payment Date: 18/12/2009
- Portfolio: Yvonne
- Mirror Rule: No Mirroring
- Operator: MANAGER

BACK OFFICE

- Depository: XXX
- Depositary of Counterparty: XXX
- SM/DT: XXX
- Payment Method: XXX
- Broker: XXX

COLLATERAL BACK OFFICE

- Depository: XXX
- Depositary of Counterparty: XXX
- SM/DT: XXX
- Payment Method: XXX
- BO Workflow: SOPHIS STANDARD WF

AMOUNTS

- Amount: EUR 0.00
- Comm. Amount: EUR 0.00
- Coll. Amount: USD 20.00
- Final Amount: EUR 0.00

FEES

- Broker Fees: 0.00
- Counterparty Fees: 0.00
- Market Fees: 0.00

REMARKS

- Remarks: New deal pending
- FO Remarks: New deal accept
- BO Remarks:

ACTIONS

- BO Status: No Status
- Ticket ID: (98765432)
- BO Workflow: SOPHIS STANDARD WF

Figure 3-3 Stock Loan / Repo Input dialog

The parameters for stock loans are grouped into the following frames:

- *Principal on page 28*
- *Callable Loan on page 31*
- *Commission on page 32*
- *Collateral on page 34*

- *Dividends and Coupons on page 35*
- *Miscellaneous on page 36*

Principal

The fields in the PRINCIPAL frame are described in table 3-3 and are listed from top to bottom, left to right.

Table 3-3 PRINCIPAL frame (Sheet 1 of 3)

Name	Purpose
Loan Reference	Reference of the stock loan.
Operation Name	Name of the stock loan instrument. Note: This text box is renamed to Basket Name if the underlying specified in the Principal Ref text box is a basket.
Principal Ref	Reference of the stock that is being loaned or borrowed. Note: This field is unavailable when Principal Ccy is selected.
Underlying Name	The name of the underlying, which is automatically displayed on the right of the Principal Ref . Click the name to open the underlying definition. This field is available when the Principal Ref checkbox is selected, and hidden when Principal Ccy is selected.
Principal Ccy	The currency of the underlying, and the Billing Currency . This field is used for repos, not stock loans. Note: This field is unavailable when Principal Ref is selected.
Principal Spot	The last price of the underlying security. Note: This field is available when the Principal Ref check box is selected, and hidden when Principal Ccy is selected.
Collateralised Spot	Price with Hedging and Haircut applied.
Start Date	The date that the loan starts on.
Maturity	The date that the loan matures on. This can be a specific day, which is not necessarily the end of the month or the final payment date.
Allotment	The allotment that the instrument is allocated to.
Agreement Name	Specifies the name of the corresponding agreement, and provides a link that opens the Collateral Agreement dialog box for that agreement.
Convention	The convention that the instrument is associated with.

Table 3-3 PRINCIPAL frame (Sheet 2 of 3)

Name	Purpose
Model	<p>A model that indicates the purpose of the instrument.</p> <ul style="list-style-type: none"> • Standard—indicates the instrument holds information related to a stock loan. • Collateral—indicates that the instrument holds information related to a margin call. <p>Instruments with the “Standard” Model type can be used in the templates that the Advanced Stock Loan module provides.</p> <p>Further models may be created and added using the Toolkit.</p>
Type	<p>The type of instrument. The options are:</p> <ul style="list-style-type: none"> • Stock Loan—indicates a stock loan instrument. • Repo—indicates a Repo instrument. • Contract for Difference—indicates a CFD instrument.
Forex Principal/Collateral	<p>You can define the forex rate for the underlying currency and the collateral currency. You can also specify the direction of the forex.</p> <p>Note: This field is available when the currency of the principal underlying differs from the currency of the collateral. See Currency and Ref. Stock in the section <i>Collateral</i> on page 34.</p>
Hedging Ratio	<p>The hedging ratio, which is the percentage that an asset’s value is increased when it is used as principal.</p>
Delivery	<p>This field is for information purposes only.</p> <p>The options are:</p> <ul style="list-style-type: none"> • Relit • Sivocam

Table 3-3 PRINCIPAL frame (Sheet 3 of 3)

Name	Purpose
PnL Pricing	<p>The P&L pricing preference. The following options are available:</p> <ul style="list-style-type: none"> • Use p&l Pref — Takes the current value of the Lending & Borrowing Rediscount preference in the Profit and Loss tab of the Preferences dialog. Same behaviour as when the global preference P&ITomorrowInP&IToday is set to 1. • Accrued computation — The unrealised is equal to 0. • Discount Computation — The unrealized is not equal to 0 and the cash flows are discounted. The commission and interest for this P&L pricing model is calculated based on: <ul style="list-style-type: none"> The last spot. The minimum value for commission is not taken into account. The Repo curve of the borrowed share. The Repo curve of the index, if no Repo curve is defined for the share. The dividend and tax credit discount.
Nominal	The nominal of the loan, if the underlying of the stock loan is a bond.
Accrued	The accrued of the loan, if the underlying of the stock loan is a bond.
Payment Date	The payment date of the stock loan.
Distributed Rate	Percentage of dividend redistribution to the primary owner of the stock.
Calculated All In Rate	<p>The all-in-rate of the loan.</p> <p>Note: This field is available for stock loans with underlying that has a dividend payable within the life span of the loan.</p>
Dividend	Displays information about the latest dividend.

Callable Loan

The fields in the CALLABLE LOAN frame are described in table 3-4 and are listed from top to bottom, left to right.

Table 3-4 CALLABLE LOAN frame

Name	Purpose
Callable Loan - drop-down.	<p>Defines whether the loan can be called in earlier than the maturity date.</p> <p>The available options are:</p> <ul style="list-style-type: none"> • Without notice —the loan can be called in without prior notice. • Lender's discretion—the lender can choose when to call in the loan. • Borrower's discretion—the borrower can choose when to call in the loan. • Either's discretion—either the lender or the borrower can choose when to call in the loan. • Not Callable — It is not possible to call this loan before its maturity date.
Notice Period (Nb of days)	The number of days between the announcement that the loan is called and the exercising of the call.
Exercise Date	The end date of the notice period, on which the call will be exercised.

Commission

The fields in the COMMISSION frame are described in table 3-5 and are listed from top to bottom, left to right.

Table 3-5 COMMISSION frame (Sheet 1 of 2)

Name	Purpose
Type	<p>The method of calculating the commission:</p> <ul style="list-style-type: none"> • Without—the loan has no commission fees. • Fixed rate—the commission is based on the initial spot price of the underlying. • Open Basis—the principal is re-evaluated every day before the commission rate is applied. The the spot to use is determined from the Collateral Agreement. • Set Price—the commission is a fixed amount determined during the loan negotiations. It is calculated as the Minimum * Deal Qty. • Fee Mark—the commission is based on the average of spot prices stored in a fee mark table, and marked during a fee mark period. • Fixed Price with Revisable Spot—The principal is reevaluated when manually requested. This is used when a ticket with non-null spot and business event method equals to margin call. • Rebate—the rate is the difference between the commission rate and collateral remuneration Rate. This option is available when “Cash” is selected as the Collateral type.
Rate	<p>The rate to apply to determine the commission. For example, “5.00000” represents 5% of the spot.</p> <p>Note: This field is hidden when Without, Set Price or Rebate is selected as the commission Type.</p>

Table 3-5 COMMISSION frame (Sheet 2 of 2)

Name	Purpose
Calc. Basis	<p>The time basis used to calculate the commission amount:</p> <ul style="list-style-type: none"> • Actual/360 • Actual/365F • Actual/Actual • 30/360 • 30E/360 • Actual/365.25 • Actual/365 • NL/365 • 30/360_ISDA06 • 30E/360_ISDA06 • ACT/ACT(ISMA)_ISDA06 <p>Note: This field is hidden when "Without" or "Rebate" is selected as the commission Type.</p>
Minimum	<p>The minimum commission to be paid, expressed in the underlying currency.</p> <p>When "Set Price" is selected as the commission Type, this field holds the set amount of commission to be paid.</p> <p>Note: This field is hidden when "Without" is selected as the commission Type.</p>
Billing Frequency	<p>This defines the date on which commission and interest on cash collateral in contracts are calculated.</p> <p>For cash pool collateral, the billing frequency is taken from the Collateral Agreement.</p> <p>If the Billing Frequency is set to Final, the following occurs:</p> <ul style="list-style-type: none"> • No payment offset is applied to either Coupon or Commission tickets. • The commission and interest tickets are generated together.
Billing Currency	<p>This is the currency that fees and collateral are paid in.</p> <p>You can change the billing frequency in the instrument when the collateral is not a cash pool.</p> <p>The default value is the billing frequency that is defined in the Collateral Agreement associated with the loan.</p> <p>Note: This field is hidden when Without or Rebate is selected as the commission Type.</p>

Collateral

The fields in the COLLATERAL frame are described in table 3-6 and are listed from top to bottom, left to right.

Table 3-6 COLLATERAL frame (Sheet 1 of 2)

Name	Purpose
Type	<p>Type of collateral that guarantees the loan.</p> <p>The available options are:</p> <ul style="list-style-type: none"> • Without Collateral—the loan is not guaranteed. • Cash—the loan is guaranteed by an amount of cash. If the currency of the collateral differs from the currency of the underlying, a forex is applied. • Stocks—the loan is guaranteed by securities. • T-Bills—The loan is guaranteed by Treasury Bills.
Pricing Type	<p>The pricing type specifies how the collateral will be managed.</p> <p>The available options are:</p> <ul style="list-style-type: none"> • Without Margin Call—no margin calls are permitted on collateral. • With Margin Call—margin calls are permitted on collateral. • Pool—the collateral is from a cash or securities pool. • Per Contract—the collateral is allocated on a contract-by-contract basis • Tri Party—a third party is managing collateral for the contract.
Nb of Shares	<p>The quantity of shares or T-Bills needed to guarantee the loan.</p> <p>Note: This field is available when "Stocks" or "T. Bills" is selected as the Collateral Type.</p>
Rate	<p>The remuneration rate for interest on cash collateral.</p> <p>The rate is either fixed or determined with a margin in relation to a floating rate, conventionally TMP in France.</p> <p>Note: This field is available when "Cash" is selected as the Collateral type.</p>
Haircut	The haircut for collateral, which is the percentage by which the value of an asset is decreased when it is used as collateral.

Table 3-6 COLLATERAL frame (Sheet 2 of 2)

Name	Purpose
Ref. Stock	<p>The reference of the underlying security that is used to guarantee the loan.</p> <p>When a security is selected, the name is displayed on the right of this field. Click the name to open the underlying definition.</p> <p>A Forex field appears in the LOAN AND REPO CHARACTERISTICS frame when you select a reference stock with a currency that is different to the principal underlying currency.</p> <p>Note: This field is available when "Stocks" or "T. Bills" is selected as the Collateral Type.</p>
Currency	<p>The currency of the collateral, and the coupons and commissions that arise from it.</p> <p>A Forex field appears in the LOAN AND REPO CHARACTERISTICS frame when you select a collateral currency that is different to the underlying currency.</p> <p>Note: This field is available when "Cash" is selected as the Collateral type.</p>
Last Price	<p>The last price of the collateral securities (Ref. Stock).</p> <p>Note: This field is available when "Stocks" or "T. Bills" is selected as the Collateral Type.</p>

Dividends and Coupons

The fields in the DIVIDENDS AND COUPONS frame are described in table 3-7 and are listed from top to bottom, left to right.

Table 3-7 DIVIDENDS AND COUPONS frame (Sheet 1 of 2)

Name	Purpose
Dividend Date	If the security pay dividends during the loan's duration, a given percentage of their value is redistributed at this date.
Dividend Amount	Percentage of the dividend to redistribute.
Payment	The date that dividend payment was redistributed.

Table 3-7 DIVIDENDS AND COUPONS frame (Sheet 2 of 2)

Name	Purpose
Distributed Rate	<p>Percentage of dividend redistribution to the primary owner of the stock.</p> <ul style="list-style-type: none"> • Only the dividends and not the related dividend tax credits can be redistributed. • The dividend-related fields are displayed only if the loan occurs during a dividend period. • This field offers a marked-to-market rating.

Miscellaneous

Table 3-8 describes the fields that are not contained in frames.

Table 3-8 Miscellaneous fields in the Loan on stock window.

Name	Purpose
Theoretical Value	The theoretical value of the loan which is calculated using the rate curve.
Rediscount	The Rediscount theoretical value of the loan calculated with the cash-flows (commission, interest on collateral) taken into account by rate over time.
Remarks	Free-text field for comments.

Long and Short Interest Rates on Cash Pool Stock Loans

You can define long and short interest rates that enable you to specify different interest rates for stock loan trades with a cash pool collateral.

Important

Applying long and short interest rates is only available for Securities vs. Cash Pool stock loans.

To define long and short interest rates for cash pool stock loans, do the following:

- 1 Create a securities vs. cash pool stock loan trade.
- 1 Select the interest rate with both long and short fixings that you want to use from the **Rate/Spread** drop-down list in the **COLLATERAL** frame on the **Stock Loan / Repo Input** 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 securities vs. cash pool stock loan trade.

In this example, the long rate is EONIA/LIBOR with a fixing of 6.0. This fixing is taken into account if the position is long. The short rate is EONIA, selected from the **Short Index** drop-down list on the **Rate** window, as shown in figure 3-4. The fixing is 10.0. This fixing is used if the position is short.

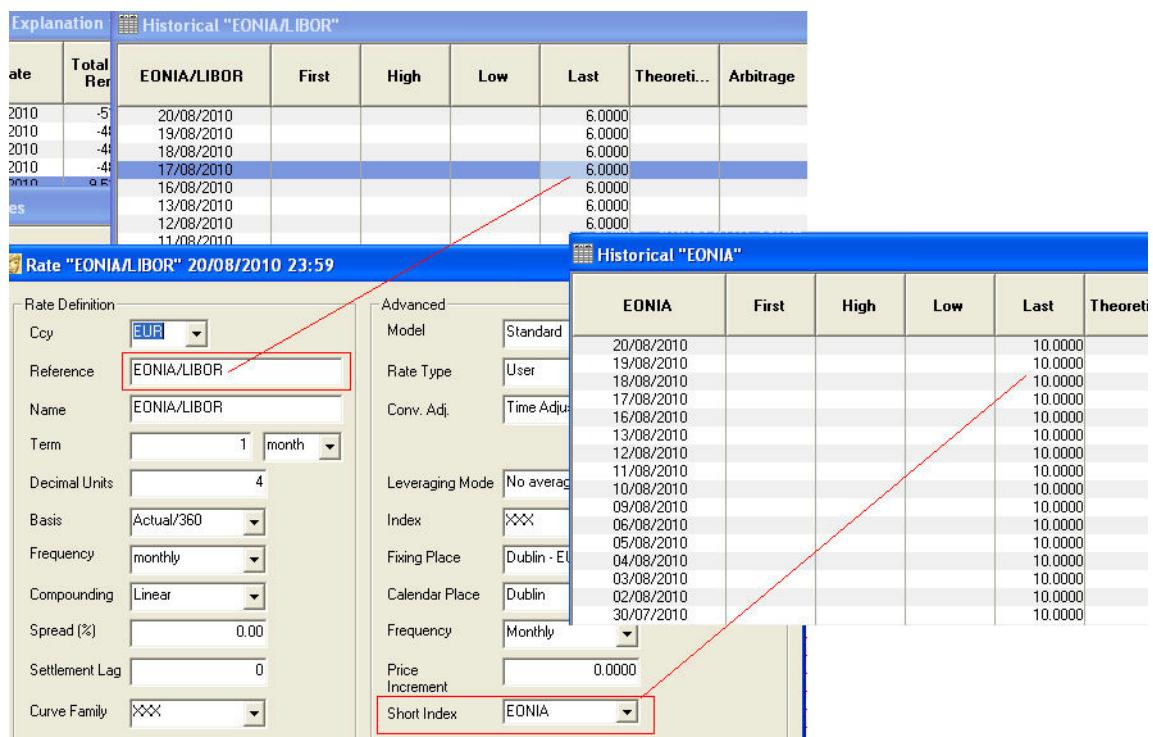


Figure 3-4 Interest Rate Example

After specifying the EONIA/LIBOR interest rate in the **Rate/Spread** drop-down list in the **COLLATERAL** frame on the **Stock Loan / Repo Input** window, you can apply the rates.

For this example, book the following stock loan deal:

1,000,000 with a trade date = 17/08/2010. In the portfolio, the Number of Securities = -1,000,000, therefore the position is short.

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

Move the prices date forward to the billing frequency date.

Open the **Daily Cash Interest Explanation** window from the **Stock Loan and Repo Mgt** window and observe the fixing in the **Fixing Rate** column. It will be the EONIA short fixing, since the position is short.

Next, perform a cash margin call such that the cash pool crosses from short to long.

Check the **Daily Cash Interest Explanation** window. The cash interest is long, therefore EONIA/LIBOR.

Note

For more information about the **Stock Loan and Repo Mgt** window and the **Daily Cash Interest Explanation** window, see *Stock Loan and Repo Mgt Window on page 81*.

Stock Loan Baskets

The Advanced Stock Loan module allows you to book multiple stock loan deals by entering the details of a stock loan deal once and applying this to all elements in a basket. To do so, you must define a basket of securities.

A basket of securities becomes a stock loan basket when you create a stock loan deal on that basket. You can specify the composition of a basket either before or during deal creation.

Requirements of a Stock Loan Basket Deal

Before booking a stock loan basket deal, you must do the following:

- 1 Create a stock loan instrument, or stock loan template, as described in the *Instrument Reference Guide*. You can use the following stock loan template types to book deals on stock loan baskets:
 - Security vs cash per contract
 - Security vs cash pool
 - Security vs security pool
 - Security vs no collateral
- 2 Add the template you created to the collateral agreement which is the basis of the stock loan basket deal. You can drag and drop the template from the **Loans on Stock** window to the **Default Templates** frame in the **General** tab of the selected collateral agreement. For more information, see the *Collateral Management User Guide*.
- 3 Optionally, create a basket of securities that you can modify when you create the stock loan basket deal.

Setting up a Basket of Securities

There are two ways to set up a basket of securities as a stock loan basket. To create a basket before creating a stock loan basket deal, follow the instructions below:

- 1 Select **Indexes and Baskets** from the **Instrument** menu.
- 2 Press **Ctrl + n** to create a new basket.
- 3 Populate the fields as necessary.
- 4 Click on **Composition**.
- 5 To include instruments in the basket, enter their names into the **Reference** field of the **Basket** dialog.
- 6 Close the **Basket** dialog and press **Ctrl + s** to save the basket.

To create a basket while you book a stock loan basket deal, see *Booking a Stock Loan Basket Deal on page 39*.

Booking a Stock Loan Basket Deal

You have three options to book a deal on a stock loan basket and two of these are identical to booking a stock loan deal:

- Create a deal from the **Deal Input** window.
- Create a deal by dragging and dropping a stock loan template to the **Portfolio** window.
- Create a deal from the **Tickets** menu of the **Portfolio** window as described in this section.

To book a stock loan basket deal from the **Tickets** menu, follow the instructions below:

- 1 Select the portfolio that you want to book the stock loan in.
- 2 Click the **Tickets** icon, and select **Security loan/repo** from the menu.
The **Stock Loan Template Selector** window is displayed.
- 3 Select a counterparty, entity and convention for which a Collateral Agreement has been configured.
For more information about Collateral Agreements, see the *Collateral Management User Guide*.
- 4 Select a template from the list of **Default Templates**.
- 5 Click **Open**.
The **Stock Loan / Repo Input** window is displayed.
- 6 Populate the fields as necessary. If a stock loan basket is defined in the template then the **Principal Ref.** field is automatically populated.

- 7 Click **Composition** to view the underlying stock loan deals of the basket.

The **Deals On Basket** window is displayed as shown in Figure 3-5.

Once you go to the **Composition** window, you cannot change the following details of the deal:

- Broker
- Depositary
- Depositary of Counterparty
- SM/DT
- Payment Method
- Fees of the transaction.

These modifiable values are applied to all underlying stock loan deals and their default values are read from the first stock loan in the **Deals On Basket** window. The Back Office workflow for the stock loan basket deal is also selected on the basis of the first stock loan.

- 8 Manage the stock loans as described in *Managing the Content of Stock Loan Baskets on page 40*.
- 9 Click the Back Office event button to book the stock loan basket deal.

When you accept the deal, RISQUE inserts tickets into the portfolio for every deal that the basket contains. Therefore, there is no difference between the number of tickets created for 10 stock loan deals and a stock loan deal on a basket of 10 securities.

Important

All stock loan contracts created from the basket booking are linked using the Position Link functionality. The name of the position link is the name specified in the Basket Name text box of the **Stock Loan / Repo Input** window. For more information on position links, see the *Portfolio Management Guide*.

Managing the Content of Stock Loan Baskets

It is possible to customise a stock loan basket by managing the composition of the instruments when you create a stock loan basket deal. You can add, modify, or remove instruments from the **Deals On Basket** window.

User Guide

Figure 3-5 shows the **Deals On Basket** window:



Figure 3-5 Deal On Basket window

Columns in the Deals on Basket Window

Table 3-9 describes the columns in the **Deals on Basket** window:

Table 3-9 Columns in the Deals on Basket Window (Sheet 1 of 2)

Name	Description
Collateral Ccy	Displays the currency of the collateral. Note: This column is editable for Security vs Cash Per Contract stock loans. For Cash Pool stock loans, the columns are not editable in the Basket window, but can be modified in the Stock Loan / Repo Input dialog. For all other stock loan types, the column is empty and not editable.
Collat. Amount (%)	Displays the value of the collateral.
Collat. Spot	The last spot price of the collateral underlying, according to credit risk preferences.
Collat. Spread	Displays the collateral spread. Note: This column is editable for Security vs Cash Per Contract stock loans. For Cash Pool stock loans, the columns are not editable in the Basket window, but can be modified in the Stock Loan / Repo Input dialog. For all other stock loan types, the column is empty and not editable.
Collat. Rate	Displays the collateral rate. Note: This column is editable for Security vs Cash Per Contract stock loans. For Cash Pool stock loans, the columns are not editable in the Basket window, but can be modified in the Stock Loan / Repo Input dialog. For all other stock loan types, the column is empty and not editable.

Table 3-9 Columns in the Deals on Basket Window (Sheet 2 of 2)

Name	Description
Comm. Basis	Displays the commission basis.
Comm. Rate	Displays the commission rate.
Dividend Rate	Specifies the dividend rate.
Forex	The forex rate that is applied when the underlying currency of the principal is different from the reference currency.
Forex Order	Specifies the direction of the currency transaction.
Haircut	Specifies the haircut amount, in percent. Note: This column is editable for Security vs Cash Per Contract stock loans. For Cash Pool stock loans, the columns are not editable in the Basket window, but can be modified in the Stock Loan / Repo Input dialog. For all other stock loan types, the column is empty and not editable.
Hedging	Specifies the hedging amount, in percent.
Instrument Name	Specifies the name of the instrument.
Instrument Ref	Displays the reference number of the instrument.
Maturity Date	Specifies the maturity date of the instrument.
Minimum	The minimum permitted rate
Nominal	Displays the face value of the deal.
Principal Ccy	Displays the currency of the principal.
Quantity	Displays the quantity of the deal.
Spot	Displays the last spot price of the principal underlying, according to credit risk preferences.
Start Date	Displays the start date of the deal.

Adding Instruments to a Stock Loan Basket

To add a new instrument,

- 1 Click on an empty field in the **Instrument Ref** column and enter the reference of an instrument.

The rest of the fields are automatically populated based on the details of the instrument.

Note

You can also add an instrument by dragging-and-dropping it from its instrument list to the **Deals on Basket** window.

- 2 Enter or modify the amount in the following fields:

- **Quantity** — the number of securities that you want to include in the basket.
- **Comm. rate** — the commission rate of the underlying deal.

- **Nominal** — the nominal value of bonds.
 - **Spot** — the spot price of the security.
 - **Hedging** — the hedging value of the security.
 - **Forex** — the forex value of cash collaterals.
- 3 Click **OK** if the basket contains all stock loans that you want to include. By clicking **Cancel**, you can discard your changes.

Modifying Instruments in a Stock Loan Basket

To modify an instrument,

- 1 Select a stock loan deal that you want to modify in the **Deals On Basket** window. You can only change the values in the columns described in Step 2 above.
- 2 Click **OK** if the basket contains all stock loans that you want to include. By clicking **Cancel**, you can discard your changes.

Note

You can open the instrument dialog for an instrument in the basket by double-clicking it.

Adjusting Quantities

You can modify the quantities of all contracts in the **Deals in Basket** basket composition by using the **Quantities Adjustment** text box, as shown in figure 3-6:



Figure 3-6 Quantities Adjustment

To modify quantities, do the following:

- 1 Enter a factor value into the **Quantities Adjustment** text box in the **Deals on Basket** window. This is the factor by which you want to adjust the quantities.
For example, if you want to double the quantity, enter 2. This multiplies the quantity by a factor of 2. If you want to halve the quantity, 0.5. The default value is 1, which corresponds to 1x of the current quantity.
- 2 Click the **Update Quantities** button to confirm the change.

Deleting Instruments from a Stock Loan Basket

To remove an instrument,

- 1 Click on the **Quantity** field of the deal that you want to remove.
- 2 Enter **0** or delete the content of the field.
- 3 Click **OK** if the basket contains all securities that you want to include. Clicking **Cancel** discards your changes.

Modifying Deals in a Stock Loan Basket

After booking a stock loan basket deal, you can modify the individual stock loan deals, but not the deal on the basket of securities. For changing the details of a stock loan deal,

- 1 Double-click on the deal in the **Portfolio** window.
- 2 Double-click on the position in the **Movement** window.
- 3 Modify the details of the deal.
- 4 Click on the kernel workflow event button to accept your changes.

Chapter 4 Portfolio-Level Stock Loan Management

This chapter describes the options that are provided by the Advanced Stock Loan module to manage stock loans from the **Portfolio** window.

- *Commission Modification on page 45*
- *Spread Modification on page 46*
- *Maturity Modification on page 47*
- *Spot Modification on page 49*
- *Partial Return on page 51*
- *Repricing on page 55*
- *Cancel and Create Again on page 58*
- *Roll on page 58*
- *Show Current Contract on page 59*
- *Duplicate on page 64*
- *Multiple Contract Management on page 64*
- *Modifying Contracts on page 70*

Commission Modification

You can redefine and generate new commission for stock loans that accept margin calls.

The **Commission Modification** dialog allows you to modify the following parameters of the Stock Loan:

- Commission Rate
- Trade Date
- Value Date

Important

The **Commission Modification** dialog is only available for stock loans with a defined commission type. If **Without Commission** is specified in the **Type** drop-down list in the **COMMISSION** frame, commission modification is not available.

Figure 4-1 shows the **Commission Modification** dialog:

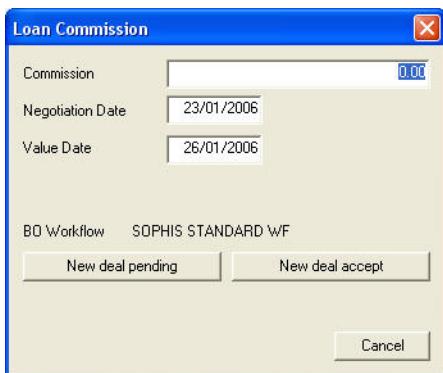


Figure 4-1 Commission Modification dialog

To change or add a loan commission, do the following:

- 1 Select the stock loan position in the portfolio.
- 2 Right-click and select **Commission Modification**.
- 3 Enter the new commission parameters.

The commission will be paid from the specified value date, either until the maturity of the stock loan or until the commission is changed again.

Spread Modification

The **Collateral/Repo Spread Modification** dialog allows you to modify the following parameters:

- Spread
- Trade Date
- Value Date

Important

The **Collateral/Repo Spread Modification** dialog is only available for repos and stock loans where either the principal or the collateral contains a defined interest rate.

Figure 4-2 shows the **Collateral/Repo Spread Modification** dialog:

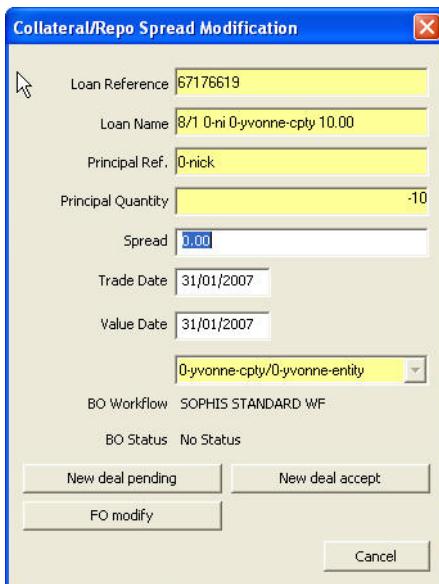


Figure 4-2 Collateral/Repo Spread Modification dialog

To change or add a Collateral/Repo Spread, do the following:

- 1 Select the stock loan position in the portfolio.
- 2 Select **Collateral/Repo Spread Modification** from the context menu.
- 3 Enter the new parameters.

The margin rate is changed and applies from the specified value date, either until the maturity of the stock loan or until another rate is set.

Maturity Modification

The **Maturity Modification** dialog allows you to change the maturity date of the stock loan, repo or CFD.

To perform a Maturity Modification, do the following:

- 1 Select the stock loan position in the Portfolio
- 2 Select **Maturity Modification** from the context menu.

The **Maturity Modification** dialog is displayed, as shown in figure 4-3:

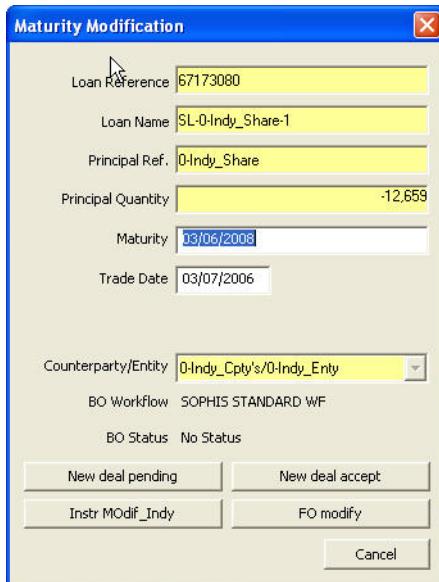


Figure 4-3 Maturity Modification

- 3 Enter the **Maturity Modification** parameters.

Note Closing tickets are automatically generated without having to launch forecasts if a maturity modification is performed on a position with a maturity on the current date.

Table 4-1 describes the **Maturity Modification** dialog parameter fields:

Table 4-1 Maturity Modification Parameters

Name	Description
Counterparty/Entity	The specified counterparty and entity.
Loan Reference	Reference of the stock loan, repo or CFD.
Loan Name	Name of the stock loan, repo or CFD instrument.
Principal Ref.	Reference of the underlying stock.
Principal Quantity	The principal quantity.
Maturity	<p>The date that the agreement expires on.</p> <p>When the end date is reached, no more transactions may be made for this agreement.</p>

Table 4-1 Maturity Modification Parameters

Name	Description
Trade Date	The date that you want the trade to occur. The trade date defaults to today. The trade date must be strictly between the trade date of the stock loan initiation ticket and the maturity date, if it exists.
BO Workflow	The specified Back Office Workflow.
BO Status	The current Back Office status.

Spot Modification

The **Spot Modification** dialog allows you to change the spot of the underlying of the stock loan, repo or CFD.

Important

A spot modification is only possible for stock loans with the Commission Type **Fixed Price with Revisable Spot**.

To perform a spot modification, do the following:

- 1 Select the stock loan position in the Portfolio.
- 2 Select **Spot Modification** from the context menu.

The **Spot Modification** dialog is displayed, as shown in figure 4-4:

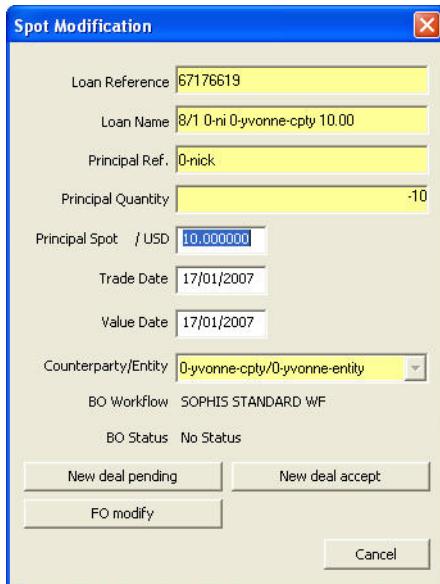


Figure 4-4 Spot Modification dialog

- 3 Enter the **Spot Modification** parameters.

Table 4-2 describes the **Spot Modification** dialog parameter fields:

Table 4-2 Spot Modification dialog fields (Sheet 1 of 2)

Name	Description
Loan Reference	Reference of the stock loan, repo or CFD.
Loan Name	Name of the stock loan, repo or CFD instrument.
Principal Ref.	Reference of the underlying stock.
Principal Quantity	The principal quantity.
Principal Spot	The last spot price of the principal underlying. This is calculated according to credit risk preferences.
Trade Date	<p>The date that you want the trade to occur. The trade date defaults to today.</p> <p>The trade date should be strictly between the trade date of the stock loan initiation ticket and the maturity date, if it exists.</p>
Value Date	The value date

Table 4-2 Spot Modification dialog fields (Sheet 2 of 2)

Name	Description
Counterparty/Entity	The specified counterparty and entity.
BO Workflow	The specified Back Office Workflow.
BO Status	The current Back Office status.

Partial Return

The **Partial Return** dialog allows the user to return a portion of the principal, and also a portion of the collateral, depending on the collateral type.

Partial Returns can be performed on the following stock loan types:

- Cash vs Securities Per Contract
- Securities vs Cash Per Contract
- Cash vs Securities Pool
- Securities vs Cash Pool
- Securities vs Securities Pool
- Securities (No Collateral)

Important

The **Partial Return** dialog parameter fields vary according to the type of stock loan. For example, the **Partial Return** dialog for a Cash vs Securities Per Contract stock loan reflects the fact that the current principal is a currency and therefore contains a **Ccy** field. This field is not displayed if the stock loan type is, for example, Securities vs Securities Pool.

To perform a Partial Return, do the following:

- 1 Select the stock loan position in the Portfolio
- 2 Select **Partial Return** from the context menu.

The **Partial Return** dialog is displayed, as shown in figure 4-5:

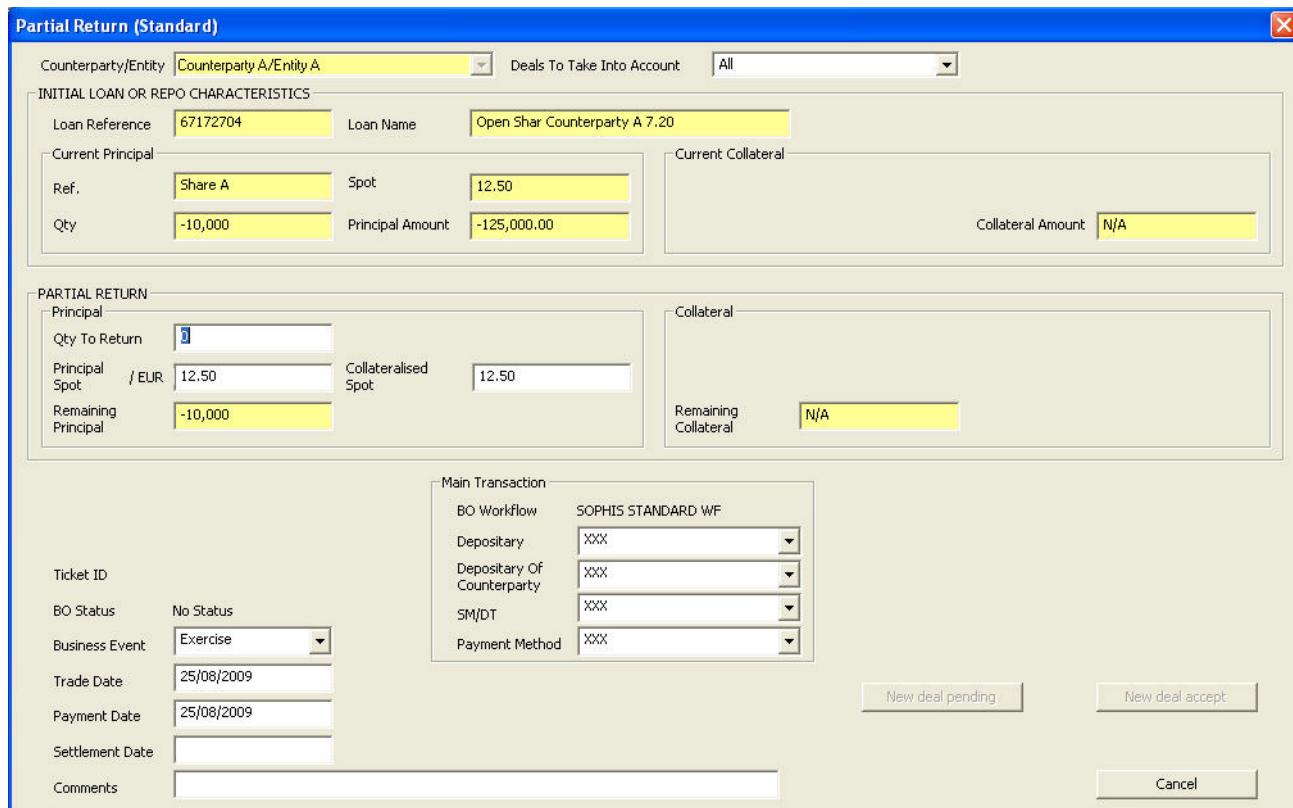


Figure 4-5 Partial Return dialog

- 3 Enter the Partial Return parameters.

Table 4-3 contains a description of the **Partial Return** dialog parameter fields.

Table 4-3 Partial Return dialog fields (Sheet 1 of 4)

Name	Description
Counterparty/Entity	The specified counterparty and entity.
Loan Reference	Reference of the stock loan, repo or CFD instrument.
Loan Name	Name of the stock loan, repo or CFD instrument.
Deals To Take Into Account	Allows you to specify which deals to take into account for the Partial Return. The default is All.

Current Principal Frame Fields

Table 4-3 Partial Return dialog fields (Sheet 2 of 4)

Name	Description
Ref.	Reference of the principal stock. Note: Not applicable for Cash vs Securities Per Contract and Cash vs Securities Pool stock loans.
Average Price	A weighted sum of Sell/Buy prices of deals. Note: For Securities vs Cash Per Contract and Securities vs Cash Pool only.
Qty	The principal quantity. Note: Not applicable for Cash vs Securities Per Contract and Cash vs Securities Pool stock loans.
Principal Amount	The current amount (Quantity * price) of the principal.
Ccy	The currency of the principal. Note: For Cash vs Securities Per Contract and Cash vs Securities Pool stock loans only.
Spot	The current spot. The spot is set to 1 if the principal is cash. Note: Not applicable for Securities vs Cash Per Contract and Securities vs Cash Pool stock loans.

Current Collateral Frame Fields

Ref.	Reference of the collateral. Note: For Cash vs Security Per Contract stock loans only.
Spot	The spot price of the collateral underlying. Note: For Cash vs Security Per Contract only.
Qty	The quantity of securities held as collateral. Note: For Cash vs Security Per Contract only.
Ccy/Rate	The currency and interest rate of the collateral. Note: For Securities vs Cash Per Contract and Securities vs Cash Pool only.
Collateral Amount	The value of the collateral.

Partial Return Frame, Principal Frame Fields

Amount to Return	The amount of cash to return. Note: For Cash vs Securities Per Contract and Cash vs Securities Pool stock loans only.
Qty to Return	The amount of securities to return. Note: Not applicable for Cash vs Securities Per Contract and Cash vs Securities Pool stock loans.
Principal Spot	The last spot price of the principal underlying, according to credit risk preferences. Note: Not applicable for Cash vs Securities Per Contract and Cash vs Securities Pool stock loans.

Table 4-3 Partial Return dialog fields (Sheet 3 of 4)

Name	Description
Collateralized Spot	Price with Hedging and Haircut applied. Note: For Securities vs Cash Per Contract and Securities vs Cash Pool stock loans only.
Remaining Principal	The amount of principal that remains after the partial return.

Partial Return Frame, Collateral Frame Fields

Amount to Return	The amount of cash collateral to return. Note: For Securities vs Cash Per Contract and Securities vs Cash Pool stock loans only.
Qty to Return	The amount of securities collateral to return. Note: For Cash vs Securities Per Contract stock loans only.
Qty Remaining	The amount of securities remaining after the partial return. Note: For Cash vs Securities Per Contract stock loans only.
Remaining Collateral	The amount of collateral remaining after the partial return.
Spot	The current spot of the collateral to return.
Collateral Amount	The value of the collateral to return.

Main Transaction Frame Fields

BO Workflow	The specified Back Office workflow.
Depository	The depository of the trade.
Depository of the Counterparty	The depository of the counterparty of the trade.
SM/DT	The Settlement Method/Delivery Type to apply to the trade.
Payment Method	The payment method for the trade.

Collateral Section Frame Fields

Note: Displayed only for Securities vs Securities Pool stock loans.

BO Workflow	The specified Back Office workflow for the collateral.
Depository	The depository for the collateral part of the trade.
SM/DT	The Settlement Method/Delivery Type to apply to the collateral part of the trade.
Payment Method	The payment method for the collateral part of the trade.

General Trade Information Area

Commission	The commission amount.
Interest	The interest amount.
Ticket ID	The ID of the ticket.

Table 4-3 Partial Return dialog fields (Sheet 4 of 4)

Name	Description
BO Status	The current Back Office status.
Business Event	The business event to apply to the trade.
Trade Date	<p>The date that you want the trade to occur. Default is today.</p> <p>The trade date must be strictly between the trade date of the stock loan initiation ticket and the maturity date, if it exists.</p>
Payment Date	The specified payment date for the trade.
Settlement Date	The settlement date that applies to the trade.
Comments	Comments.

Repricing

Repricing allows you to reprice the underlying of a stock loan. When a reprice occurs, cash transfers are generated for the rolling commission and rolling interest, and the delta cash amount is calculated.

The **Fees Repricing** drop-down list in the Fees and Interest tab of the Collateral Agreements dialog allows you to enable repricing for stock loans. The possible values are as follows:

- None — Repricing is not enabled.
- Delta Cash Only — Repricing is enabled, but only the Delta Cash amount is generated.
- Total and Delta Cash — Repricing is enabled, and both Delta Cash and commission and interest are returned.

Note

Repricing is only available for stock loans with a billing frequency set to **Final** and a **Fixed Price with Revisable Spot** commission type.

To perform a repricing, do the following:

- 1 Select the stock loan position in the Portfolio
- 2 Select **Repricing** from the context menu.
The **Repricing** dialog is displayed.
- 3 Enter the repricing parameters.

The **Repricing** dialog is shown in table 4-6:

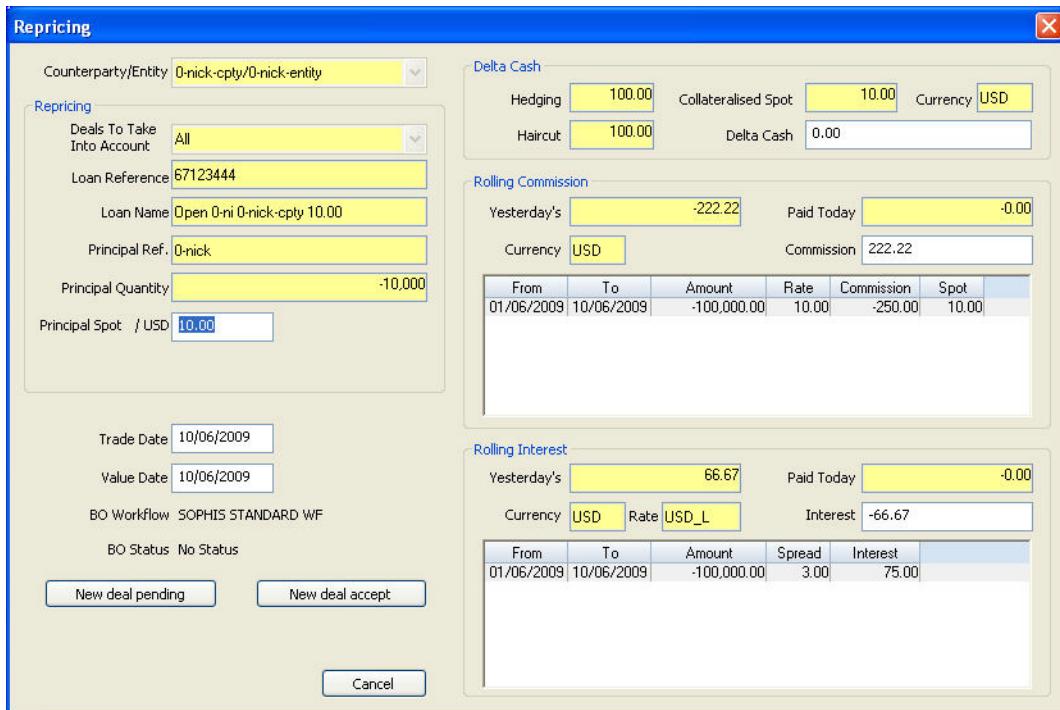


Figure 4-6 Repricing dialog

Table 4-4 describes the fields in the **Repricing** frame and in the general area of the **Repricing** dialog:

Table 4-4 The Repricing frame and general fields

Name	Description
Counterparty/Entity	The specified counterparty and entity.
Deals To Take Into Account	Allows you to specify which deals to take into account for the repricing. The default is All.
Loan Reference	Reference of the stock loan.
Loan Name	The name of the loan.
Principal Ref.	Reference of the underlying stock.
Principal Quantity	The quantity of the principal.
Principal Spot	The last spot of the principal.
Trade Date	The trade date of the loan.
Value Date	The value date of the loan.
BO Workflow	The back office workflow assigned to the loan.
BO Status	The current back office status of the loan.

Table 4-5 describes the fields in the **Delta Cash** frame of the **Repricing** dialog:

Table 4-5 The Delta Cash frame

Name	Description
Hedging	The hedging amount, in percent, of the delta cash.
Haircut	The haircut amount, in percent, of the delta cash.
Collateralised Spot	Price with Hedging and Haircut applied.
Currency	The currency of the collateralised spot.
Delta Cash	The current position quantity multiplied by the difference in repricing.

Table 4-6 describes the fields in the **Rolling Commission** frame of the **Repricing** dialog:

Table 4-6 Rolling Commission frame

Name	Description
Yesterday's	The total commission paid on yesterdays' date.
Paid Today	The total commission paid today.
Currency	The currency of the commission.
Commission	The total commission paid.
From	The start date for the commission and interest period.
To	The end date for the commission and interest period.
Amount	<p>The value of the principal in the contract. This is calculated as: Principal Qty * Principal Spot. Note: For bonds, the equation is calculated as Principal Qty * Dirty Spot.</p>
Rate	The rate used to calculate the fees.
Commission	The total fees due since the previous date.
Spot	The spot price.

Table 4-7 describes the fields in the **Rolling Commission** frame of the **Repricing** dialog:

Table 4-7 The Rolling Commission frame

Name	Description
Yesterday's	The total interest paid on yesterdays' date.
Paid Today	The total interest paid today.

Table 4-7 The Rolling Commission frame

Name	Description
Currency	The currency of the interest.
Interest	The total interest paid.
From	The beginning of the period for interest.
To	The end of the period for interest.
Amount	The total amount of cash margin calls performed on the cash pool or cash collateral.
Spread	The rate used to calculate the fees.
Interest	The total interest paid since the previous date.

Cancel and Create Again

This command enables you to cancel an existing stock loan contract and create it again. This substitutes deleting the deal first and then creating a new one from scratch. The advantage of the cancel and create again function is that you can see the details of the original stock loan deal and modify every field as necessary.

To cancel a stock loan deal and create it again, do the following:

- 1 Select the stock loan position in the Portfolio.
- 2 Select **Cancel and create again** from the context menu.
The **Stock Loan / Repo Input** dialog is displayed.
- 3 Enter the details of the new stock loan deal.

When the new deal is created, RISQUE removes the tickets of the original stock loan deal and tickets for the new deal.

Roll

Roll enables you to modify a stock loan deal by opening it and change any of its details with the exception of the following fields:

- **Convention**
- **Counterparty 1**
- **Entity**

To perform a roll on a stock loan deal, do the following:

1 Select the stock loan position in the Portfolio.

2 Select **Roll** from the context menu.

The **Stock Loan / Repo Input** dialog is displayed.

3 Enter the details of the new stock loan deal.

When you perform a roll on a stock loan deal, RISQUE keeps the tickets of the original deal and generates new tickets for the differences. The only exception is the expiry ticket for which RISQUE deletes the original ticket and creates a new one.

You can also perform a roll on the following operations described in this chapter:

- Partial Return
- Commission Modification
- Spread Modification
- Collateral Substitution

Show Current Contract

The **Show Current Contract** command enables you to open the current contract of the selected stock loan position.

To open the current contract of a stock loan deal, do the following:

- 1 Right-click on the stock loan position in the **Portfolio** window.
- 2 Click the **Show Current Contract** command on the context menu.

The current contract is displayed, as shown in figure 4-7:

The screenshot shows the 'Stock Loan' window with the following details:

- Counterparty/Entity:** Counterparty A/Entity A
- Reporting:** Default Date: 10/11/2009 Refresh
- Principal:**
 - Reference: SHARE_36620_2, Spot in %, absVol
 - ISIN: [redacted]
 - Quantity: -1,000
 - Nominal: [redacted]
 - Amount: [redacted]
 - Principal Spot: 110.0000 Currency: KZT
 - Principal Accrued: [redacted] Hedging: 100.00
- Contract:**
 - Reference: 67174585 Position Id: 13,722
 - Operation: SL-SHARE_36620_2, Spot in %, abs Type: Stock Loan
 - Start Date: 19/10/2009 Maturity: [redacted] Frequency: 29th day
 - Collateral Type: Stocks Pricing Type: Per Contract
- Commission:**
 - Type: Fixed Price Calc. Basis: Actual/360
 - Currency: EUR Rate: [redacted] Yesterday's: -242
 - Spread: 7.2000 Paid Today: [redacted]
 - Next Billing Date: 30/11/2009 Commission: -264
- Cash Collateral:**

From	To	Amount	Rate	Commission	Spot
29/10/2009	10/11/2009	-110,000.00	7.20	-264.00	110.00
- Securities Collateral:**
 - Reference: [redacted]
 - ISIN: [redacted]
 - Quantity: [redacted]
 - Nominal: [redacted]
 - Spot: [redacted] Currency: [redacted]
 - Accrued: [redacted] Haircut: [redacted]
- Interest:**
 - Currency: [redacted] Rate: [redacted] Yesterday's: [redacted]
 - Spread: [redacted] Paid Today: [redacted]
 - Next Payment Date: [redacted] Interest: [redacted]

Buttons at the bottom: XML Copy, Movements, Close.

Figure 4-7 Show current contract window

Table 4-8 describes the fields in the **Principal** frame of the current contract window:

Table 4-8 The Principal Frame of the Current Contract Window

Name	Description
Reference	Displays the reference of the contract.
ISIN	Displays the ISIN code of the principal.
Quantity	Displays the quantity of the principal.
Nominal	Displays the nominal of the principal underlying.
Amount	Displays the current amount (Quantity * price) of the principal.

Table 4-8 The Principal Frame of the Current Contract Window

Name	Description
Principal Spot	Displays the last spot price of the principal underlying, according to credit risk preferences.
Principal Accrued	Displays the accrued coupon of the bond today if the principal is a bond.
Currency	Displays the currency of the principal spot of the contract.
Hedging	Displays the hedging amount, in percent.

Table 4-9 describes the fields in the **Cash Collateral** frame of the current contract window:

Table 4-9 The Cash Collateral Frame of the Current Contract Window

Name	Description
Amount	Displays the total amount of cash margin calls performed on the collateral. When the collateral is from a pool, this shows the total of all margin calls and when it is for a contract, the amount shows the total margin calls for that contract.
Ccy	Displays the currency of cash collateral or cash margin calls.
Initial Deposit	Displays the amount of the initial deposit.
Haircut	Displays the haircut for the initial deposit.
Margin Call	Displays the amount of the cash margin call.
Haircut	Displays the cash margin call haircut. Depending on the type of guarantee, the haircut from the instrument definition or from the collateral agreement is applied.

Table 4-10 describes the fields in the **Securities Collateral** frame of the current contract window:

Table 4-10 The Securities Collateral Frame of the Current Contract Window

Name	Description
Reference	Displays the reference of the collateral.
ISIN	Displays the ISIN code of the collateral.
Quantity	Displays the quantity of the collateral.
Nominal	Displays the nominal of securities held as collateral. Cash collateral is not included in this figure.

Table 4-10 The Securities Collateral Frame of the Current Contract Window

Name	Description
Spot	Displays the last spot price of the collateral underlying, according to credit risk preferences.
Currency	Displays the currency of the principal spot of the contract.
Accrued	Displays the accrued coupon of the bond today when the collateral is a bond.
Haircut	Displays the haircut amount, in percent.

Table 4-10 describes the fields in the **Contract** frame of the current contract window:

Table 4-11 The Contract Frame of the Current Contract Window

Name	Description
Reference	Displays the reference number of the contract.
Position ID	Displays the position ID of the contract.
Operation	Displays the operation of the contract.
Type	Displays the type of contract.
Start Date	Displays the start date of the contract.
Maturity	Displays the maturity date of the contract.
Frequency	Displays the frequency of the contract.
Collateral Type	Displays the type of collateral for the contract.
Pricing Type	Displays the pricing type of the contract.

Table 4-12 describes the **Commission** frame of the current contract window:

Table 4-12 The Commission Frame of the Current Contract Window

Name	Description
Type	Displays the type of commission.
Calc. Basis	Displays the time basis used to calculate the commission amount.
Currency	Displays the currency of the commission.
Rate	Displays the contract commission rate.
Yesterday's	Displays the total commission paid on yesterday's date.
Spread	Displays the cash spread for the contract.
Paid Today	Displays the total commission paid on today's date.

Table 4-12 The Commission Frame of the Current Contract Window

Name	Description
Next Billing Date	Displays the next date on which fees will be billed. This next billing date is determined from the Billing Frequency field in the instrument definition or from the collateral agreement.
Commission	Displays the total commission paid.
From	Displays the start date for the commission and interest period.
To	Displays the end date for the commission and interest period.
Amount	Displays the value of the principal in the contract. This is calculated as: Principal Qty * Principal Spot. Note: For bonds, the equation is calculated as Principal Qty * Dirty Spot.
Rate	Displays the rate used to calculate the fees.
Commission	Displays the total fees due since the previous date.
Spot	Displays the spot price. Note: This field can be edited.

Table 4-13 describes the **Interest** frame of the current contract window:

Table 4-13 The Interest Frame of the Current Contract Window

Name	Description
Currency	Displays the currency of the interest.
Rate	Displays the contract interest rate.
Yesterday's	Displays the total interest paid on yesterday's date.
Spread	Displays the cash spread for the contract.
Paid Today	Displays the total interest paid on today's date.
Next Payment Date	Displays the next 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 agreement parameters.
Interest	The total interest paid.

Duplicate

The **Duplicate** command allows you to create a duplicate of an existing stock loan or repo.

To duplicate a stock loan deal, do the following:

- 1 Right-click on the stock loan position in the **Portfolio** window.
- 2 Click the **Duplicate** command on the context menu.

The **Stock Loan / Repo Input** dialog is displayed, with details identical to the original stock loan.

- 3 If necessary, modify details of the new stock loan deal.
- 4 Save the deal.

When the new deal is created, RISQUE creates tickets for the new deal.

Multiple Contract Management

The **Stock Loan and Repo contract management** window enables you to perform the following tasks on multiple stock loan or repo contracts:

- *Maturity Modification on page 68*
- *Commission Modification on page 69*
- *Collateral/Repo Spread Modification on page 70*

Opening the Contract Management Window

To open the **Stock Loan and Repo contract management** window, do the following:

- 1 Select one or more stock loan or repo contracts in the **Portfolio** window
- 2 Right-click on one of the selected contracts.
- 3 Click the **Stock Loan/Repo: Manage Contract** command on the context menu.

The **Stock Loan and Repo contract management** window is displayed, as shown in figure 4-8.

Note You can add stock loan and repo contracts to the **Stock Loan and Repo contract management** window by dragging-and-dropping them from the **Portfolio** window.

Note Double-clicking on a line in the **Stock Loan and Repo contract management** window opens the **Movement** window for that contract.

Figure 4-8 shows the **Stock Loan and Repo contract management** window:

08/01/2010 - Stock Loan and Repo contract management: 6 contracts												
Contract Pric...	Contract Operation	Position Id	Position Link	Principal	Start Date	Contract Type	Counterparty	Entity	Maturity	Principal ...	Principal ...	Principal ...
Per Contract	9/11 Shar 0-haroon-cpt 7.20	13,041	P Link 001		10/09/20...	Stock Loan	0-haroon-cpl	0-haroon-ent	09/11/20...			-10,0
Per Contract	Open SHAR Counterparty A 7.20	13,061		SHARE 1	22/09/20...	Stock Loan	Counterparty A	Entity A		675,000	15,000	-45,0
Pool	Open SHAR Counterparty A 0.00	13,224		SHARE 1	14/09/20...	Stock Loan	Counterparty A	Entity A		300,000	15,000	-20,0
Per Contract	Open Shar 0-haroon-cpt 7.20	13,361			22/09/20...	Stock Loan	0-haroon-cpl	0-haroon-ent				-2,5
Per Contract	Open 0-ni Counterparty A 7.20	13,381		0-nick	22/09/20...	Stock Loan	Counterparty A	Entity A		512,326	10,000	-50,0
Per Contract	SL-SHARE_36620_2, Spot in %, abs...	13,722		SHARE_...	19/10/20...	Stock Loan	Counterparty A	Entity A		110,000	110,000	-1,0

Figure 4-8 Stock Loan and Repo contract management window

Table 4-14 describes the columns in the **Stock Loan and Repo contract management** window:

Table 4-14 Columns in Stock Loan and Repo contract management (Sheet 1 of 4)

Name	Description
Billing Currency	The currency of the billing.
Cash Collateral Amount	The total amount of cash margin calls performed on the collateral. When the collateral is from a pool, this shows the total of all margin calls and when it is for a contract, the amount shows the total margin calls for that contract.
Cash Collateral Ccy	The currency of cash collateral or cash margin calls.
Cash Collateral Fx	The forex rate that is applied when the underlying currency of the collateral is different from the Reference Currency.
Cash Margin Call Amount	The amount of the cash margin call.
Cash Margin Call Haircut	The cash margin call haircut. Depending on the type of guarantee, the haircut from the instrument definition or from the collateral agreement is applied.
Collateral Value in Ref Ccy	The value of securities and cash that is held as collateral, expressed in the Reference currency (Ref Ccy).

Table 4-14 Columns in Stock Loan and Repo contract management (Sheet 2 of 4)

Name	Description
Commission Type	Displays the commission type.
Commission Paid Today	The total commission paid on today's date.
Contract Calc Basis	The calculation basis of the contract.
Contract Cash Rate	The cash rate for the contract.
Contract Cash Spread	The cash spread for the contract.
Contract Collateral Type	The contract collateral type.
Contract Coll Spot Ccy	The currency of the collateral spot of the contract.
Contract Comm Rate	The contract commission rate.
Contract Frequency	The frequency of the contract.
Contract Operation	The operation of the contract.
Contract Pricing Type	The pricing type of the contract.
Contract Principal Spot Ccy	The currency of the principal spot of the contract.
Contract Reference	The contract reference.
Contract Repo Cash Rate	The repo cash rate of the contract.
Contract Sec Spot Ccy	The currency of the securities spot price.
Contract Type	The type of contract.
Counterparty	The counterparty of the position.
Credit Risk in Ccy	The total credit risk for the type of guarantee, expressed in the Reference Currency (Ref Ccy).
Entity	The entity of the position.
Estimated Billing (in Billing Ccy)	The fees that have accrued on the instrument up to today in the defined billing currency.
Hedging Ratio	<p>The hedging ratio applied to the contract.</p> <p>Depending on the type of principal, the haircut from the instrument definition or from the collateral agreement is applied.</p>
Initial Deposit Amount	The amount of the initial deposit.
Initial Deposit Haircut	The haircut for the initial deposit.
Interest on Cash (in Collateral Ccy)	The interest that has accumulated on cash collateral since the last Payment date.
Interest Paid Today	The interest paid today.
Last FeeMark Spot	<p>The spot price that was used for the last billing.</p> <p>This option applies when the commission type for the instrument is set to "fee mark."</p>

Table 4-14 Columns in Stock Loan and Repo contract management (Sheet 3 of 4)

Name	Description
Last Margin Date	The date on which the last securities or cash margin call took place.
Maturity	The end date of the stock loan or repo.
Next Billing Date	The next date on which fees will be billed. This next billing date is determined from the Billing Frequency field in the instrument definition or from the collateral agreement.
Next Interest Payment Date	The next 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 agreement parameters.
Position Id	The movement ID for the position.
Position Link	The name of the contract position link, if applicable. For more information on position links, see the <i>Portfolio Management Guide</i> . Note: All stock loans created from the basket booking are linked using the Position Link functionality. The name of the position link is the name specified in the Basket Name text box of the Stock Loan / Repo Input window.
Principal	The name of securities or the name of the currency of the principal.
Principal Accrued	The accrued coupon of the bond today when the principal is a bond.
Principal FX	The forex rate that is applied when the underlying currency of the principal is different from the Reference Currency.
Principal ISIN	Displays the ISIN code of the principal.
Principal Nominal	The nominal of the principal underlying.
Principal Qty	The quantity of securities or the amount of cash that comprises the principal.
Principal Spot	The last spot price of the principal underlying, according to credit risk preferences.
Principal Value in Ref Ccy	The value of the principal, expressed in the Reference currency (Ref Ccy).
Securities Collateral	The name of the securities held as collateral.
Securities Collateral Accrued	The accrued coupon of the bond today when the collateral is a bond.

Table 4-14 Columns in Stock Loan and Repo contract management (Sheet 4 of 4)

Name	Description
Securities Collateral Fx	The forex rate applied when the underlying currency of the collateral is different from the Reference Currency.
Securities Collateral Haircut	Haircut specified for Security vs. Security per contract.
Securities Collateral ISIN	Displays the ISIN code of the collateral.
Securities Collateral Maturity	The maturity date for a bond.
Securities Collateral Nominal	The nominal of securities held as collateral. Cash collateral is not included in this figure.
Securities Collateral Qty	The quantity of securities held as collateral. Cash collateral is not included in this figure. This is calculated as: Initial Number of Securities + Security Margin Call Quantity - Partial Returns.
Securities Collateral Rating	Displays the rating when the underlying is a bond.
Securities Collateral Spot	The last spot price of the collateral underlying, according to credit risk preferences.
Start Date	The start date of the stock loan or repo.
Yesterday's Commission	The total commission paid on yesterday's date.
Yesterday's Interest on Cash Collateral	The interest that has accumulated on cash collateral since the last payment date, and from yesterday.

Contract Management Tasks

Maturity Modification

To perform a maturity modification on multiple contracts, do the following:

- 1 Select the contracts on which you want to perform the maturity modification.
- 2 Right-click on one of the contracts that you have selected.

- 3 Click the **Maturity Modification** command from the context menu.

Figure 4-9 shows the **Maturity Modification** dialog box:

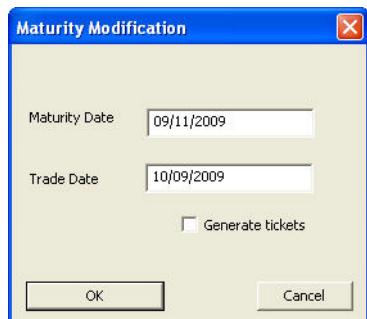


Figure 4-9 Maturity Modification dialog box

- 4 Enter the parameters for the maturity modification.
- 5 If you want tickets generated upon saving the maturity modification, select the **Generate tickets** check box.

Note

The **Generate tickets** check box is disabled if the specified maturity date is in the future.

- 6 Click OK to save the modification.

Commission Modification

To perform a commission modification on multiple contracts, do the following:

- 1 Select the contracts on which you want to perform the commission modification.
- 2 Right-click on one of the contracts that you have selected.
- 3 Click the **Commission Modification** command from the context menu.

Figure 4-10 shows the **Commission Modification** dialog box:



Figure 4-10 Commission Modification dialog box

- 4 Enter the parameters for the commission modification.
- 5 Click OK to save the modification.

Collateral/Repo Spread Modification

To perform a collateral/repo spread modification on multiple contracts, do the following:

- 1 Select the contracts on which you want to perform the collateral/repo spread modification.
- 2 Right-click on one of the contracts that you have selected.
- 3 Click the **Collateral/repo spread Modification** command from the context menu.

Figure 4-11 shows the **Collateral/repo spread Modification** dialog box:



Figure 4-11 Collateral/Repo Spread Modification dialog box

- 4 Enter the parameters for the collateral/repo spread modification.
- 5 Click OK to save the modification.

Modifying Contracts

It is possible to modify several aspects of a stock loan contract in one window. In the **Modify Contract** window, the following tabs enable you to modify the properties of the stock loan contract:

- **Maturity** tab — Enables you to define a new maturity date.
- **Commission** tab — enables you to define a new commission rate
- **Spread** tab — enables you to define a new spread.
- **Spot** tab — enables you to define a new spot price.

Note If a type of modification does not apply to a certain type of stock loan, the corresponding tab is not available in the **Modify Contract** window. For example, if the stock loan does not contain a defined commission type, the **Commission** tab is not displayed.

To modify contract properties, do the following:

- 1 Right-click the stock loan contract that you want to modify in the **Portfolio** window.
- 2 Select **Modify Contract** from the context menu.

The **Modify Contract** window is displayed, as shown in figure 4-12:

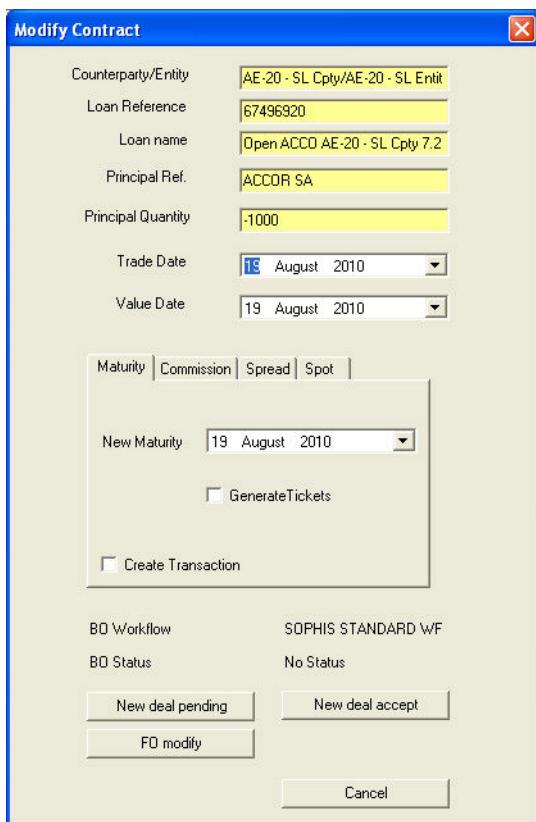


Figure 4-12 Modify Contract window

Table 4-15 describes the fields in the **Modify Contract** window:

Table 4-15 Fields in the Modify Contract Window (Sheet 1 of 2)

Name	Description
Counterparty/Entity	Specifies the counterparty/entity pair of the contract. This information cannot be modified.
Loan name	Specifies the name of the stock loan contract. This information cannot be modified.
Principal Ref.	Specifies the reference of the principal underlying. This information cannot be modified.

Table 4-15 Fields in the Modify Contract Window (Sheet 2 of 2)

Name	Description
Principal Quantity	Specifies the quantity of the underlying. This information cannot be modified.
Trade Date	Defines the trade date of the contract.
Value Date	Defines the value date of the contract.
New Maturity	Defines a new maturity date for the contract. To access this text box, click the Maturity tab.
New Commission	Defines a new commission rate for the contract. To access this text box, click the Commission tab. Note: This tab is only available for stock loans with a defined commission type. If Without Commission is specified in the Type drop-down list in the COMMISSION frame, commission modification is not available.
New Spread	Defines the new collateral/repo spread to calculate the interest. To access this text box, click the Spread tab. Note: The Spread tab is only available for stock loans where the principal or collateral is cash.
Spot [Ccy]	Defines a new spot price of the contract in the currency of the principal underlying. If the contract is a cross-currency contract, the forex amount is displayed in the text box below the new spot price of the underlying. To access these text boxes, click the Spot tab. Note: The Spot tab is only available if the commission is fixed price with revisable spot.
Create Transaction	Specifies whether the modifications made to the contract are taken into account, and whether a new transaction is created. This check box is cleared by default. It becomes selected if a modification is made to the contract.
Generate Tickets	Generate tickets upon saving the maturity modification. Note: The Generate Tickets check box is disabled if the specified maturity date is in the future.

Important

The **Create Transaction** check box must be selected for any changes in to the maturity date, commission rate, spread or spot price to be taken into account.

Chapter 5 Commission Calculation

This chapter describes how you can define the commission calculation for a stock loan instrument.

- "Commission Types" on page 75
- "Commission Parameters" on page 76

Commission Types

The following commission types are supported:

- Without — The loan has no commission fees.
- Fixed Rate — The commission is based on the initial spot price of the underlying.
- Open Basis — The principal is re-evaluated every day before the commission rate is applied.
- Set Price — The commission is a fixed amount determined during the loan negotiations. It is calculated as the Minimum * Deal Qty.
- Fee Mark — The commission is based on the average of spot prices stored in a fee mark table, and marked during a fee mark period.
- Fixed Price with Revisable Spot — The principal is reevaluated when manually requested. This is used when a ticket with a non-null spot and business event method equals to margin call.
- Rebate — The rate is the difference between the commission rate and collateral remuneration rate. This option is available when the collateral type is cash.

Commission Parameters

Commission parameters are found in the Stock Loan / Repo Input dialog in the **COMMISSIONS** frame, as shown in figure 5-1:

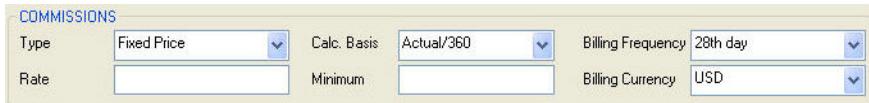


Figure 5-1 COMMISSIONs frame

The fields in the **COMMISSIONS** frame are described in table 5-1 and are listed from top to bottom, left to right.

Table 5-1 COMMISSION frame. (Sheet 1 of 2)

Name	Purpose
Type	<p>The method of calculating the commission:</p> <ul style="list-style-type: none"> • Without—the loan has no commission fees. • Fixed rate—the commission is based on the initial spot price of the underlying. • Open Basis—the principal is re-evaluated every day before the commission rate is applied. The the spot to use is determined from the collateral agreement. • Set Price—the commission is a fixed amount determined during the loan negotiations. It is calculated as the Minimum * Deal Qty. • Fee Mark—the commission is based on the average of spot prices stored in a fee mark table, and marked during a fee mark period. • Fixed Price with Revisable Spot—The principal is reevaluated when manually requested. This is used when a ticket with non-null spot and business event method equals to margin call. • Rebate—the rate is the difference between the commission rate and collateral remuneration Rate. This option is available when “Cash” is selected as the Collateral type.
Rate	<p>The rate to apply to determine the commission. For example, “5.00000” represents 5% of the spot.</p> <p>Note: This field is hidden when “Without”, “Set Price” or “Rebate” is selected as the commission Type.</p>

Table 5-1 COMMISSION frame. (Sheet 2 of 2)

Name	Purpose
Calc. Basis	<p>The time basis used to calculate the commission amount:</p> <ul style="list-style-type: none"> • Actual/360 • Actual/365F • Actual/Actual • 30/360 • 30E/360 • Actual/365.25 • Actual/365 • NL/365 • 30/360_ISDA06 • 30E/360_ISDA06 • ACT/ACT(ISMA)_ISDA06 <p>Note:This field is hidden when "Without" or "Rebate" is selected as the commission Type.</p>
Minimum	<p>The minimum commission to be paid, expressed in the underlying currency.</p> <p>When "Set Price" is selected as the commission Type, this field holds the set amount of commission to be paid.</p> <p>Note:This field is hidden when "Without" is selected as the commission Type.</p>
Billing Frequency	<p>This defines the date on which commission and interest on cash collateral in contracts are calculated.</p> <p>For cash pool collateral, the billing frequency is taken from the collateral agreement.</p> <p>If the Billing Frequency is set to Final, the following occurs:</p> <ul style="list-style-type: none"> • No payment offset is applied to either Coupon or Commission tickets. • The commission and interest tickets are generated together.
Billing Currency	<p>This is the currency that fees and collateral are paid in.</p> <p>You can change the billing frequency in the instrument when the collateral is not a cash pool.</p> <p>The default value is the billing frequency that is defined in the collateral agreement associated with the loan.</p> <p>Note:This field is hidden when "Without" or "Rebate" is selected as the commission Type.</p>

Rebate

Rebates can only be used with cash collateral and per contract stock loans. Instead of having a cash remuneration and a commission charge, the two values are summed and the difference constitutes the fees associated with the stock loan.

For example, instead of defining that the commission rate is 5% and the remuneration rate of the collateral has to be 1.5%, we can globally define that the rebate rate is 3.5%.

Note

Rebates cannot be used for repos because they cannot have cash collateral.

Rebates can also be used for cash collateral that has to be remunerated using a variable IR. In this case the lender and borrower fix a spread globally on the remuneration of the cash collateral and commission on principal so that the Rebate rate globally covers both commission and interest cash flows.

Chapter 6 Automatic Tickets

This chapter describes using Automatic Tickets with the Advanced Stock Loan module.

Automatic Tickets are a system of automatically tracing and managing your deals. This also allows you to automatically close out positions, generate dividends, and so on. An Automatic Ticket is generated for each deal that requires one when you select **Launch Forecasts** from the **Portfolios** menu.

Stock Loan without Margin Calls

For Lending & Borrowing, the commissions, expiration and interest on the collateral are generated. The dividends rebate is generated by the Corporate Action.

Commissions and interest on the collateral, can be generated:

- at expiration
- at the end of the month
- at a fixed date

These options can be specified in the definition of the L&B. The global preference **MARKETSHIFTSTOCKLOAN** is used to check if the commission between the last of the period and the open commission is included or not.

To get the interest on the collateral, the method

`CSRStockloan::GetCollateralInterestAtExpiry` is called, and is generated for L&B only.

When using Repos, interest is added to the expiry tickets. The Business Event is Collateral Rebate. The commission is calculated using the `CSRStockloan::GetCommissionAtExpiry` method, with the currency set by the `CSRStockloan::GetCommissionCurrency` method. By default, the commission is expressed in the currency of the collateral, if it is fixed. If the collateral is not fixed, the commission is expressed in the currency of the principal. The closing price of Repo bonds includes the commission and is expressed with the accrued coupon if the bond is quoted cleanly.

Stock Loan with Margin Calls

Stock loans with margin calls behave differently from those without margin calls. The position is not enough to calculate the commission, the entire transaction is required. Only Purchase/Sale tickets are taken in account. The following automatic tickets are generated:

- The commission - entity
- The margin call - counterparty
- The interest on collateral - depositary

At the end date, an expiry ticket is also generated. The dividend rebate is generated by the corporate action.

When the Back Office is available, the ticket for commission uses the Business Event that is specified in the **Commission** field of the **Stock Loan (General)** section in the **Stock Loan** tab of the Back Office Parameters. When the Back Office is unavailable, the "Commission" Business Event is used.

When the Back Office is available, the ticket for interest on collateral uses the Business Event that is specified in the **Collateral Remuneration** field of the **Stock Loan (General)** section in the **Stock Loan** tab of the Back Office Parameters with Back Office. When the Back Office is unavailable, the "Coupon" Business Event is used.

The margin call ticket is calculated by taking the last price of the principal multiplied by the collateral percentage minus all margin calls and all deprecated collateral.

When tickets are to be validated, the P&L of the book is incorrect. Commissions and interest are doubled and a reporting is necessary.

Chapter 7 Stock Loan and Repo Mgt Window

This chapter describes the **Stock Loan and Repo Mgt** window, which displays a summary of credit risk exposure for specific collateral agreements.

This chapter describes:

- "Stock Loan and Repo Mgt Window" on page 81
 - "Columns in the Stock Loan and Repo Mgt window" on page 83
 - "Icons in the Stock Loan and Repo Mgt window" on page 86
- "Credit Risk Management Tasks" on page 86
 - "Collateral Substitution" on page 87
 - "Commission Explanation" on page 92
 - "Collateral Interest Explanation" on page 94
- "Detailed Limits Report" on page 96
 - "Collateral Summary" on page 96
 - "Columns in the Detailed Limits Report window" on page 97
 - "Icons in the Detailed Limits Report Window" on page 99
 - "Collateral Management Tasks" on page 100
- "Collateral Pool Report" on page 101
 - "Accessing the Collateral Pool Report" on page 101
 - "Collateral Pool Report Parameters" on page 101
 - "Collateral Pool Report Window" on page 102

Stock Loan and Repo Mgt Window

Important

The **Stock Loan and Repo Mgt** window is only available when the Advanced Stock Loan module is enabled.

The Advanced Stock Loan module provides a **Stock Loan and Repo Mgt** window that shows a summary of credit risk exposure for a specific collateral agreement, and allows you to manage several types of guarantees on a per contract or collateral pool basis.

It displays the value of principal and collateral associated with a given Counterparty, Entity, and collateral agreement, in addition to information about fee marks, margin calls. You can perform several credit management tasks from the Stock Loan and Repo Mgt window, as outlined in "Credit Risk Management Tasks" on page 86.

It works in conjunction with the **Book a Stock Loan or Repo** window, and the use of templates for creating deals on stock loans and repos. The **Stock Loan and Repo Mgt** window is shown in figure 7-1:



The screenshot shows a software interface titled "13/01/2010 - Stock Loan and Repo Mgmt - Counterparty A/Entity A/Convention A [EUR]". The window has a toolbar with icons for file operations and a gear icon. The main area contains a table with the following columns:

Exposure Threshold Generated	2,152,325.55 N/A	Initial Deposit Haircut	Initial Deposit Amount	Credit Risk in Ref Ccy	Commission Type	Collateral Value in Ref Ccy	Cash Margin Call Amount	Cash Collateral Fx	Cash Collateral Ccy	Cash Collateral Amount	Billing Currency	'yesterday' Interest on Cash Collate...	'yesterday' Commi...	Start Date
13/01/2010 19:25:52														
Contract Per Contract Collateral														
Security Principal vs Cash EUR														
Open SHAR Counterparty A 7.20														
100.00	-10,000	5,000				-10,000			EUR	-9,990	EUR	127	-5,310	
									EUR	-10,000	EUR	127	-248	
Security Principal vs Cash USD														
100.00	10	0				10			USD	10	EUR	-0	0	07/09/20..
									USD	2	USD	0	0	10/09/20..
100.00	2	0				2			USD	2	USD	0	0	10/09/20..
100.00	2	0				2			USD	2	USD	0	0	10/09/20..
100.00	2	0				2			USD	2	USD	0	0	29/09/20..
100.00	2	0				2			USD	2	USD	0	0	29/09/20..
100.00	2	0				2			USD	2	USD	0	0	29/09/20..
100.00	2	0				2			USD	2	USD	0	0	29/09/20..

Figure 7-1 Stock Loan and Repo Mgt window

Each line represents a Stock Loan or Repo transaction.

The colours in the window reflect the currency that the value is expressed in. For example, values in EUR are displayed in blue font.

The **Stock Loan and Repo Mgt** window supports the following types of guarantee:

- Contract Per Contract Collateral—summary for contracts with separate collateral contract for each one. This type is further divided into:
 - Security vs Cash — Loan of securities with cash as collateral.
 - Cash vs Security — Repo with securities as collateral.
 - Security vs Security — Loan of securities using securities as collateral
- Cash Pool Collateral —summary for contracts that use a Cash Pool as collateral. This type is further divided by Currency and Rate.
- Securities Pool Collateral, which is further divided into:
 - Cash Contracts—summary for Repos that use a Securities Pool as collateral.
 - Security Contracts—summary for Stock Loans that use a Securities Pool as collateral.

The **Stock Loan and Repo Mgt** window displays a summary for each type of Collateral. It also displays the Global and Pool risk values:

- **Global Risk [CCY]** — displays the cumulative risk for all deals contained in the **Stock Loan and Repo Mgt** window.
- **Pool Risk [CCY]** — displays the risk for the Cash and Security pools.
- **Exposure [CCY]** — the total exposure for all deals contained in the **Stock Loan and Repo Mgt** window.
- **Threshold [CCY]** — the threshold risk value, as specified in the **Threshold** tab of the **Collateral Agreements** dialog.
- **Type** — displays the data type specified in the **Stock Loan** tab of the **Preferences** window.
- **Generated** — the date the report was generated.
- **Date** — the date the report was generated on.

Note

Both types are displayed in the defined reference currency.

Columns in the Stock Loan and Repo Mgt window

Table 7-1 describes the columns of the **Stock Loan and Repo Mgt** window:

Table 7-1 Columns in the Stock Loan and Repo Mgt window (Sheet 1 of 3)

Name	Description
Billing Currency	The currency of the billing.
Cash Collateral Amount	The total amount of cash margin calls performed on the collateral. When the collateral is from a pool, this shows the total of all margin calls and when it is for a contract, the amount shows the total margin calls for that contract.
Cash Collateral Ccy	The currency of cash collateral or cash margin calls.
Cash Margin Call Amount	The amount of the cash margin call.
Cash Collateral Fx	The forex rate that is applied when the underlying currency of the collateral is different from the Reference Currency.
Collateral Value in Ref Ccy	The value of securities and cash that is held as collateral, expressed in the Reference currency (Ref Ccy).
Commission Paid Today	The total commission paid on today's date.
Commission Type	Displays the commission type.
Securities Collateral Country	Specifies the country of the securities collateral.
Credit Risk in Ref Ccy	The total credit risk for the type of guarantee, expressed in the Reference Currency (Ref Ccy).

Table 7-1 Columns in the Stock Loan and Repo Mgt window (Sheet 2 of 3)

Name	Description
Estimated Billing (in Billing CCY)	The fees that have accrued on the instrument up to today in the defined billing currency.
Haircut	<p>The cash margin call haircut.</p> <p>Depending on the type of guarantee, the haircut from the instrument definition or from the collateral agreement is applied.</p>
Hedging Ratio	<p>The hedging ratio applied to the contract.</p> <p>Depending on the type of principal, the haircut from the instrument definition or from the collateral agreement is applied.</p>
Initial Deposit Haircut	The haircut for the initial deposit.
Initial Deposit Amount	The amount of the initial deposit.
Interest on Cash Collateral (in collat ccy)	The interest that has accumulated on cash collateral since the last Payment date.
Interest Paid Today	The interest paid today.
Last FeeMark Spot	<p>The spot price that was used for the last billing.</p> <p>This option applies when the commission type for the instrument is set to "fee mark."</p>
Last Margin Date	The date on which the last securities or cash margin call took place.
Maturity	The end date of the stock loan or repo.
Position ID	The movement ID for the position.
Next Billing Date	<p>The next date on which fees will be billed.</p> <p>This next billing date is determined from the Billing Frequency field in the instrument definition or from the collateral agreement.</p>
Next Interest Payment Date	<p>The next date on which interest will be paid on a cash guarantee.</p> <p>This date is determined from the Cash Pool Remuneration Frequency field in the Margin Call tab of the agreement parameters.</p>
Principal	The name of securities or the name of the currency of the principal.
Principal Accrued	The accrued coupon of the bond today when the principal is a bond.

Table 7-1 Columns in the Stock Loan and Repo Mgt window (Sheet 3 of 3)

Name	Description
Principal Fx	The forex rate that is applied when the underlying currency of the principal is different from the Reference Currency.
Principal ISIN	Displays the ISIN code of the principal.
Principal Nominal	The nominal of the principal underlying.
Principal Qty	The quantity of securities or the amount of cash that comprises the principal.
Principal Spot	The last spot price of the principal underlying, according to credit risk preferences.
Principal Value in Ref Ccy	The value of the principal, expressed in the Reference currency (Ref Ccy).
Securities Collateral	The name of the securities held as collateral.
Securities Collateral Accrued	The accrued coupon of the bond today when the collateral is a bond.
Securities Collateral FX	The forex rate applied when the underlying currency of the collateral is different from the Reference Currency.
Securities Collateral Haircut	Haircut specified for Security vs. Security per contract.
Securities Collateral ISIN	Displays the ISIN code of the collateral.
Securities Collateral Maturity	The maturity date for a bond.
Securities Collateral Nominal	The nominal of securities held as collateral. Cash collateral is not included in this figure.
Securities Collateral Qty	The quantity of securities held as collateral. Cash collateral is not included in this figure. This is calculated as: Initial Number of Securities + Security Margin Call Quantity - Partial Returns.
Securities Collateral Rating	Displays the rating when the underlying is a bond.
Securities Collateral Spot	The last spot price of the collateral underlying, according to credit risk preferences.
Start Date	The start date of the stock loan or repo.
Yesterday's Commission	The total commission paid on yesterday's date.
Yesterday's Interest on Cash Collateral	The interest that has accumulated on cash collateral since the last payment date, and from yesterday.

Icons in the Stock Loan and Repo Mgt window

Table 7-1 describes the icons in the **Stock Loan and Repo Mgt** window toolbar:

Table 7-2 Icons in the Stock Loan and Repo Mgt window

Icon	Name	Description
	Expand	Expands the view of the items in the window.
	Collapse	Collapses the view of the items in the window.
	Update Data	Refreshes the currently active window.
	Fee Marks	Opens the Fee Mark for Collateral Agreement window, which shows the fee marks to
	Change Reporting Date	Displays the Change Report Date dialog box, which enables you to manually change the report date. The default value is the system date.

Credit Risk Management Tasks

You can perform several credit management tasks from the context menu and toolbar in the **Stock Loan and Repo Mgt** window.

Note

This functionality is available when the Advanced Stock Loan Module is enabled.

Right-clicking a line in the **Stock Loan and Repo Mgt** window displays a menu as shown in Figure 7-2:



Figure 7-2 Context menu in Stock Loan and Repo Mgt window.

Table 7-3 outlines the purpose of the options in the context menu:

Table 7-3 context menu options in Stock Loan and Repo Mgt window

Name	Description
Cash Margin Call	Perform a per-contract, pool, or global cash margin call.
Securities Margin Call	Perform a per-contract or global securities margin call.
Collateral Substitution	Replace one collateral asset with another.
Commission Explanation (Standard)	Display a summary of fees that are due on a contract.
Daily Commission Explanation	Displays a detailed, one line per day view of the fees that are due on a contract.
Collateral Interest Explanation (Standard)	Displays a summary of the interest due on a cash pool or cash collateral. Note: This option is only available for cash pools or contracts that are guaranteed with cash collateral.
Daily Cash Collateral Interest Explanation	Displays a detailed view of the interest due on a cash pool or cash collateral, including the floating rate, if applicable.
Open Portfolio	Displays the portfolio window that contains the deal position for the stock loan, repo.
Open Contract	Displays the contract in the Book a Security Loan or Repo window.

Collateral Substitution

The Collateral Substitution window allows you to replace one collateral asset with another. For cash versus security and security vs security contracts, you substitute one security for another whereas for cash pools, you can substitute one currency for another.

For example, you might substitute one collateral security for another if a corporate action was about to occur on the current collateral security.

Substituting collateral results in two tickets in the collateral portfolio, one to reverse the current collateral asset, and the other ticket to book the new collateral.

Figure 7-7 shows an example of the **Collateral Substitution** window:

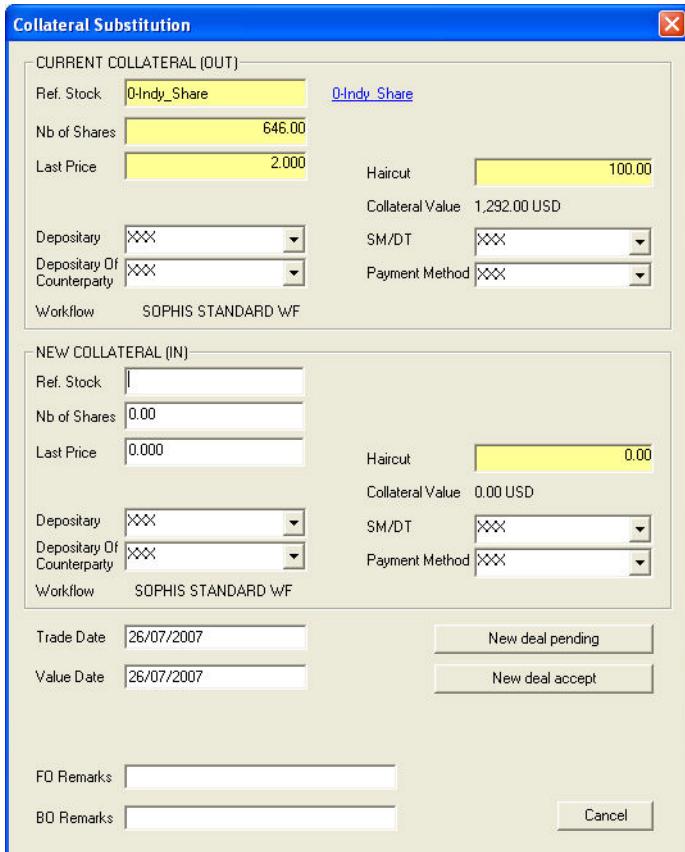


Figure 7-3 Collateral Substitution window

In addition to ticket-related fields for exchange of new collateral, the **Collateral Substitution** window has two frames, **CURRENT COLLATERAL** and **NEW COLLATERAL** frames. The fields for these frames are described in table 7-4:

Table 7-4 Fields in the Collateral Substitution window (Sheet 1 of 2)

Name	Description
Ref. Stock	The underlying reference.
Nb. Shares	The quantity of securities.
Nominal	The nominal of the underlying. Note This field is only displayed when the collateral is a bond.
Last Price	The last price of the underlying.
FX Rate	The Forex rate of the deal. Note The field is only displayed when deal contains a Forex.

Table 7-4 Fields in the Collateral Substitution window (Sheet 2 of 2)

Name	Description
Haircut	The haircut to apply to the collateral.
Collateral Value	The value of the collateral, expressed in the currency of the principal, even if the principal is a security.
Depository	The depository of the trade.
Depository of Counterparty	The depository of the counterparty of the trade.
BO Workflow	The specified Back Office workflow.
SM/DT	The Settlement Method/Delivery Type to apply to the trade.
Payment Method	The payment method for the trade.
Trade Date	The date of the trade.
Value Date	The value date.

Collateral Substitution for Securities Pool Stock Loans

You can make a whole or partial collateral substitution using the **Collateral Substitution** dialog for Securities Pool stock loans. Figure 7-4 shows an example of the Securities Pool **Collateral Substitution** dialog:

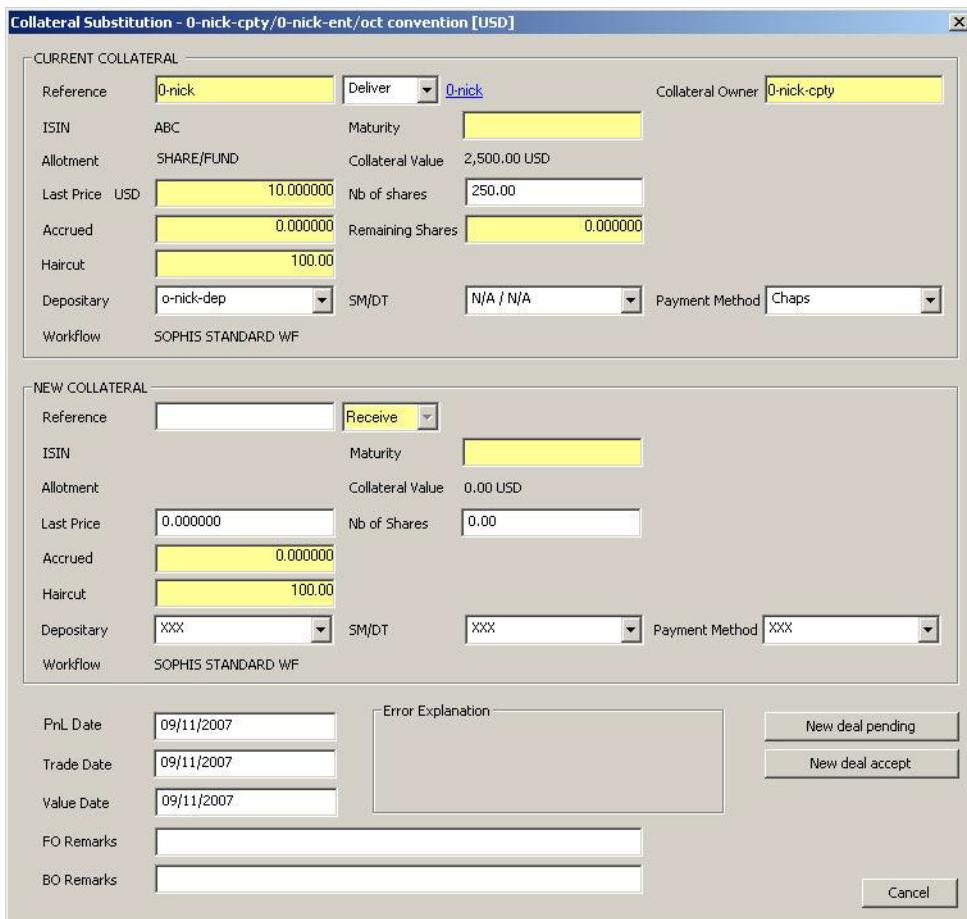


Figure 7-4 Collateral Substitution for Securities Pool stock loans

Table 7-5 describes the fields in the **Collateral Substitution** dialog:

Table 7-5 Fields in the Collateral Substitution dialog for Securities Pool stock loans
(Sheet 1 of 3)

Name	Description
CURRENT COLLATERAL Pane	
Reference	The underlying reference.
Collat. Owner	The owner of the collateral.
ISIN	The ISIN code of the current collateral.
Maturity	The maturity date of the current collateral.
Coupon	The next coupon date.

**Table 7-5 Fields in the Collateral Substitution dialog for Securities Pool stock loans
(Sheet 2 of 3)**

Name	Description
Allotment	The allotment of the current collateral.
Collateral Value	Displays the total value of the current collateral.
Last Price	The last price of the underlying.
Nb of Shares	The quantity of securities.
Deliver/Receive	The direction of the transaction.
Nominal	The nominal of the underlying. This field is only displayed when the collateral is a bond.
Accrued	The accrued coupon of the bond today when the collateral is a bond.
Remaining Shares	The quantity of the current collateral remaining after making a partial substitution.
Nominal (Rem)	The nominal of the remaining shares.
Haircut	The haircut percentage to apply to the collateral.
Depository	The depositary of the trade.
SM/DT	The Settlement Method/Delivery Type.
Payment Meth.	The payment method.
Workflow	The specified workflow of the deal.
NEW COLLATERAL Pane	
Reference	The underlying reference of the new collateral.
ISIN	The ISIN code of the new collateral.
Maturity	The maturity date of the new collateral.
Allotment	The allotment of the new collateral.
Collateral Value	Displays the total value of the new collateral.
Last Price	The last price of the underlying of the new collateral.
Nb of Shares	The quantity of securities of the new collateral.
Accrued	The accrued coupon of the bond today when the collateral is a bond.
Haircut	The haircut percentage to apply to the new collateral.
Depository	The depositary for the new collateral.
SM/DT	The Settlement Method/Delivery Type.
Payment Meth.	The payment method.
Workflow	The specified workflow.

General Information

**Table 7-5 Fields in the Collateral Substitution dialog for Securities Pool stock loans
(Sheet 3 of 3)**

Name	Description
Entry Date	The initial date of the deal.
Trade Date	The trade date of the deal.
Value Date	The value date of the deal.
FO Remarks	Comments from the Front Office.
BO Remarks	Comments from the Back Office.
Error Explanation	Displays information about any errors regarding the collateral substitution.

Commission Explanation

The Commission Explanation window displays a summary of the fees due on contracts.

Note

This option is not available for cash or security pools.

Figure 7-5 shows an example of the **Commission Explanation** window:



Figure 7-5 Commission Explanation window

Table 7-6 describes the columns of the **Commission Explanation** window:

Table 7-6 Columns in the Commission Explanation window (Sheet 1 of 2)

Name	Description
From Date	The start date for the commission and interest period.
Until Date	The end date for the commission and interest period.
Principal Amount in Billing Currency	<p>The value of the principal in the contract. This is calculated as: Principal Qty * Principal Spot. Note: For bonds, the equation is calculated as Principal Qty * Dirty Spot.</p>
Commission Rate	The rate used to calculate the fees.

Table 7-6 Columns in the Commission Explanation window (Sheet 2 of 2)

Name	Description
Commission Amount	The total fees due since the previous date
Commission Prepaid	The amount of any commission that has been prepaid.
Date of Spot Used	The spot that was used to calculate the fees due.
Principal Spot in Principal Currency	The principal spot.
Principal Quantity	The principal quantity.
Forex between Principal and Billing currency	The forex that was applied to the underlying currency to obtain the commission currency.
Principal Currency	The currency of the underlying or principal.
Billing Currency	The currency of the commission.
Collateralised Principal in Billing Ccy	The value of the collateralised principal in the billing currency. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.
Collateralised Principal in Billing Ccy	The value of the collateralised principal in the billing currency. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.
Collateralised Principal in Princ. Ccy	The value of the collateralised principal in the principal currency. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.
Non-Collateralised Commission Amount	The non-collateralised commission amount. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.
Hedging for Collateralised Commission	The hedging amount, in percent, for the collateralised commission. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.
Haircut for Collateralised Commission	The haircut amount, in percent, for the collateralised commission. Note: This column is only available if the 'Collateralised' options is selected in the Amount Type list in the collateral agreements.

Daily Commission Explanation Window

The **Daily Commission Explanation** window displays a detailed, one line per day view of the fees that are due on a contract.

Figure 7-6 shows an example of the **Daily Commission Explanation** window:

Billing Currency	Commission Amount	Commission Rate	Date of Spot Used	End Date	Forex Between Principal and Billing Ccy	Principal Amount in Billing Currency	Principal Amount in Principal Currency	Principal Curre
EUR	-195.00	7.2000	29/09/2009	30/09/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	01/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	02/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	03/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	04/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	05/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	06/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	07/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	08/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	09/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	10/10/2009		-975,000.00	-975,000.00	EUR
EUR	-195.00	7.2000	29/09/2009	11/10/2009		-975,000.00	-975,000.00	EUR

Figure 7-6 Daily Commission Explanation window

Collateral Interest Explanation

The Cash Interest Explanation window displays a summary of the interest due on cash that was transferred as margin calls on a cash pool or on cash collateral in a contract.

Note This option is only available for cash pools or contracts that are guaranteed with cash collateral.

Figure 7-7 shows an example of the **Cash Interest Explanation** window.

Cash Collateral Interest Explanation for Position Ident 13663, SL-0cccc-2								
Billing period interest	Currency	End Date	Interest Rate	Interest prepaid	Settlement date	Spread	Start Date	Total amount remunerate
-0.00	USD	21/10/2009	usd_1			3.6000	29/09/2009	1

Figure 7-7 Cash Interest Explanation window

Table 7-7 describes the columns of the **Cash Interest Explanation** window:

Table 7-7 Columns in the Cash Interest Explanation window (Sheet 1 of 2)

Name	Description
From Date	The beginning of the period for the commission and interest.
Until Date	The end of the period for the commission and interest.
Total amount to remunerate at this date	The total amount of cash margin calls performed on the cash pool or cash collateral.

Table 7-7 Columns in the Cash Interest Explanation window (Sheet 2 of 2)

Name	Description
Currency	The Currency used.
Interest Rate	The Rate used.
Spread	The spread that was applied to calculate the interest. The spread is set in the Cash Collateral Remuneration frame of the Margin Call tab in the agreement parameters.
Billing period interest	The interest that has accumulated on cash collateral since the last Payment date. This field contains the same value as the Interest on Collateral (in collat ccy) field in the Stock Loan and Repo Mgt window.

The Forecasting function searches the Collateral Portfolio for tickets with Value dates that fall on or after the Begin date and which match the specified currency. It uses the counterparty, entity and convention as filter criteria when searching for the Cash tickets in the Collateral Portfolio. It then sums the amounts of the cash tickets.

It then calculates the remuneration for the cash collateral, creates a commission ticket for it, and places it in the **Income** column in the Collateral Portfolio. When the entity receives the remuneration, the value in the Amount column is positive (+), and when it pays the remuneration to a counterparty, the value is negative (-).

At any one time, an entity may have borrowed stock from Company A and also borrowed different stock from Counterparty A.

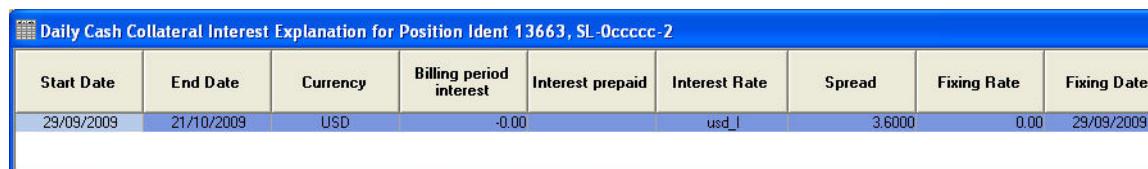
Note Therefore, the Long Margin in the entity's agreement should have the same value as the Short Margin in the counterparty's agreement because these values are agreed on by the entity and counterparty during the contract negotiations.

Additional collateral that the lender receives is represented as a positive value in the Amount column of the Collateral Portfolio and collateral that the lender returns to a borrower is represented by a negative value.

Daily Cash Collateral Interest Explanation Window

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

Figure 7-8 shows an example of the **Daily Cash Collateral Interest Explanation** window:



Daily Cash Collateral Interest Explanation for Position Ident 13663, SL-0cccc-2								
Start Date	End Date	Currency	Billing period interest	Interest prepaid	Interest Rate	Spread	Fixing Rate	Fixing Date
29/09/2009	21/10/2009	USD	-0.00	usd_I	3.6000	0.00	29/09/2009	

Figure 7-8 Daily Cash Collateral Interest Explanation window

Detailed Limits Report

The **Detailed Limits Report** window provides specific information on Cash Pool and Securities Pool collateral, and displays an overview of, and detailed information about, the aggregate credit risk exposure for a specific collateral agreement. You can perform several collateral management tasks from the **Detailed Limits Report** window, as outlined in "Collateral Management Tasks" on page 100.

The **Detailed Limits Report** window is shown in figure 7-9:

The screenshot shows the '13/01/2010 - Detailed Limits Report - Counterparty A/Entity A/Convention A [EUR]' window. The top header bar includes standard icons for file operations. Below the header is a summary row with columns for Exposure (0.00), Collateral (0.00), Net Exposure (0.00), Threshold (N/A), Pending Collateral (0.00), Rounded Net Exposure (0.00), Call (N/A), Generated (13/01/2010 19:28:00), Date (13/01/2010), Type, and Real Settlement Date. The main body of the window is a table with the following columns: Is Forex up to Date, Is Spot up to Date, Allotment, Cash Collateral Amount, Cash Collateral Ccy, Collateral In/Out in instrument Ccy, Collateral In/Out in Ref Ccy, Collateral Owner, Credit Risk in instrument Ccy, and Credit Risk in Ref Ccy. The table lists several entries under the 'Active Contracts' section, each with a small icon and some descriptive text. The last two rows are for 'Cash Pool Collateral' and 'Security Pool Collateral', both showing 0.00 values across all columns.

13/01/2010 - Detailed Limits Report - Counterparty A/Entity A/Convention A [EUR]									
Exposure Threshold Call Generated		0.00 N/A	Collateral Pending Collateral Next Margin Call	0.00 0.00 N/A	Net Exposure Rounded Net Exposure	0.00 0.00	Type	Real Settlement Date	
		13/01/2010 19:28:00	Date	13/01/2010	Type				
Active Contracts									
Open SHAR Counterparty A 7.20			Share haroonall...						0
Open SHAR Counterparty A 7.20			(click to a...)						0
Open SHAR Counterparty A 0.00			(click to a...)						0
10/1 SHAR Counterparty A 7.20			(click to a...)						0
Cash Pool Collateral						0			
Security Pool Collateral						0			

Figure 7-9 Detailed Limits Report window

Each line represents a stock loan or repo transaction. Double-clicking on a line opens the **Movement** window for that stock loan.

The colours in the window reflect the currency that the value is express in. For example, values in EUR are displayed in blue.

Collateral Summary

The **Detailed Limits Report** window displays the following information in the header:

- **Exposure** — The total exposure for the agreement.
- **Collateral** — The value of the outstanding collateral.
- **Pending Collateral** — The value of the collateral that has not been settled.
- **Net Exposure** — The value of the exposure + collateral.
- **Rounded Net Exposure** — The net exposure, rounded according to the margin call rounding settings in the **Margin Call** tab of the **Collateral Agreements** dialog.
- **Call** — Specifies whether a call is necessary. The available values are:

- MAKE CALL — There is a positive exposure outside the specified limits.
- EXPECT CALL — There is a negative exposure outside the specified limits.
If no call is necessary, the value is blank.
- **Type** — displays the data type specified in the **Stock Loan** tab of the **Preferences** window.

Columns in the Detailed Limits Report window

Table 7-8 lists the columns in the **Detailed Limits Report** window:

Table 7-8 Columns in the Detailed Limits Report window (Sheet 1 of 3)

Name	Description
Allotment	The allotment of the deal.
Cash Collateral Amount	The total amount of cash margin calls performed on the collateral. When the collateral is from a pool, this shows the total of all margin calls and when it is for a contract, the amount shows the total margin calls for that contract.
Cash Collateral Ccy	The currency of cash collateral or cash margin calls.
Collateral In/Out in Instrument Ccy	Displays the sum of margin calls made against the risk, in the instrument currency.
Collateral In/Out in ref Ccy	Displays the sum of margin calls made against the risk, in the reference currency.
Collateral Owner	The owner of the collateral.
Securities Collateral Country	Specifies the country of the securities collateral.
Credit Risk in Instrument Ccy	The total credit risk for the type of guarantee, expressed in the reference currency.
Credit Risk in Ref Ccy	The total credit risk for the type of guarantee, expressed in the reference currency.
Delivery Type	The delivery type to apply to the deal.
Depository	The depositary of the deal.
Depository of the Counterparty	The depositary of the counterparty of the deal.
Forex	The exchange rate for the deal.
Forex Date	The date of the specified Forex exchange rate.
Haircut	The haircut applied to the contract. Depending on the type of guarantee, the haircut from the instrument definition or from the collateral agreement is applied.
Indicator Name	The collateral indicator specified for the limits calculation.

Table 7-8 Columns in the Detailed Limits Report window (Sheet 2 of 3)

Name	Description
Instrument Ccy	The currency of the underlying instrument.
Interest on Cash Collateral (in Collateral Ccy)	The interest that has accumulated on cash collateral since the last Payment date.
Interest Paid Today	The interest paid today.
ISIN	The ISIN code of the underlying.
Is Forex up to Date	Specifies whether the Forex data is up to date.
Is Spot up to Date	Specifies whether the spot price is up to date.
Last Margin Date	The date on which the last securities or cash margin call took place.
Make Substitution	Indicates whether a collateral substitution is necessary. A 'yes' value indicates that at least one substitution is required.
Maturity	The maturity of the underlying bond.
Next Dividend/Coupon Date	The date of the next dividend or coupon payment.
Next Interest Payment Date	The next 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 agreement parameters.
Payment Method	The specified payment method of the deal.
Pending Collateral in Instrument Ccy	The value of the collateral that has not yet been settled, in the instrument currency.
Pending Collateral in Ref Ccy	The value of the collateral that has not yet been settled, in the reference currency.
Pending Securities Collateral Nominal	The nominal of the securities collateral that has not yet been settled.
Pending Securities Collateral Qty	The quantity of the securities collateral that has not yet been settled.
Position ID	The movement ID for the position.
Securities Collateral Accrued	The accrued interest amount on the securities collateral, calculated when the Rolling Interest check box is selected in the collateral agreements dialog.
Securities Collateral Nominal	The nominal of securities held as collateral. Cash collateral is not included in this figure.
Securities Collateral Rating	The rating of the underlying bond.

Table 7-8 Columns in the Detailed Limits Report window (Sheet 3 of 3)

Name	Description
Sec Collateral Qty	The quantity of securities held as collateral. Cash collateral is not included in this figure. This is calculated as: Initial Number of Securities + Security Margin Call Quantity - Partial Returns.
Settlement Method	The settlement method of the deal.
Spot	The spot price of the deal.
Spot Date	The date of the spot price.
Yesterday's Interest on Cash Collateral	The interest that has accumulated on cash collateral since the last Payment date, and from yesterday.

Icons in the Detailed Limits Report Window

Table 7-9 lists the icons in the toolbar of the **Detailed Limits Report** window:

Table 7-9 Icons in the Detailed Limits Report Window

Icon	Name	Description
	Expand	Expands the view of the items in the window.
	Collapse	Collapses the view of the items in the window.
	Update Data	Refreshes the currently active window.
	Collateral Call Notice	Generates a collateral call notice. Clicking this icon opens the Save document dialog. After you have selected the location where the document is saved, the application generates the collateral call notice document in Microsoft Word format, and saves it in the specified location.
	User comment	Allows you to add comments. Clicking this icon opens the User comment dialog, which lists all previous comments and allows you to enter new comments.
	Change Reporting Date	Displays the Change Report Date dialog box, which enables you to manually change the report date. The default value is the system date.

Collateral Management Tasks

You can perform several collateral management tasks from the context menu in the **Detailed Limits Report** window.

Right-clicking a line in the **Detailed Limits Report** window displays a menu as shown in Figure 7-10:

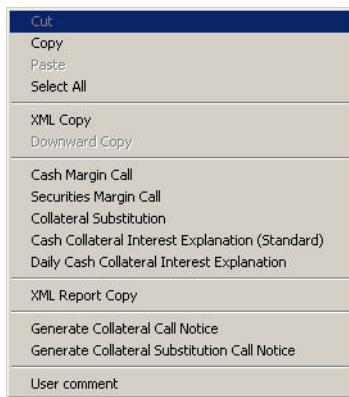


Figure 7-10 Detailed Limits Report context menu

Table 7-10 outlines the purpose of the options in the context menu:

Table 7-10 Context menu options for the Detailed Limits Report

Name	Description
Cash Margin Call	Perform a per-contract or global cash margin call.
Securities Margin Call	Perform a per-contract or global securities margin call.
Collateral Substitution	Replace one collateral asset with another.
Cash Collateral Interest Explanation (Standard)	Displays a summary of the interest due on a cash pool or cash collateral. This option is only available for cash pools or contracts that are guaranteed with cash collateral.
Daily Cash Collateral Interest Explanation	Displays a detailed view of the interest due on a cash pool or cash collateral, including the floating rate, if applicable.
User comment	Allows you to add comments. Selecting this option opens the User comment dialog, which lists all previous comments and allows you to enter new comments.

Collateral Pool Report

The Collateral Pool Report provides a detailed explanation of both cash and securities collateral positions. You can also view reports for multiple agreements and can define custom filtering using the Toolkit.

Note

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

Accessing the Collateral Pool Report

The report can be accessed from the following locations:

- The **Collateral Pool Report** option in the **Collateral Mgt** menu.
- The **Collateral Pool Report** option in the context menu of the **Collateral Agreements** window.

Selecting Collateral Pool Report opens the **Collateral Pool Parameters** dialog.

Collateral Pool Report Parameters

You can specify the parameters for the Collateral Pool Report in the **Collateral Pool Parameters** dialog, as shown in figure 7-11:

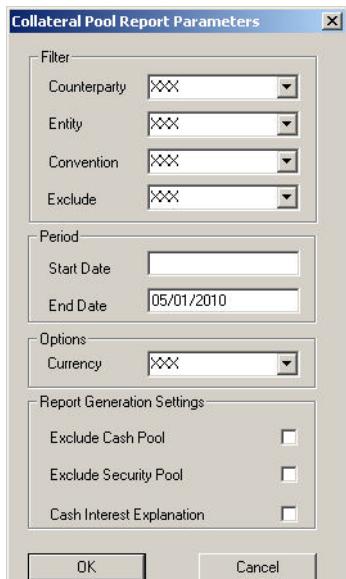


Figure 7-11 Collateral Pool Report Parameters dialog

Table 7-11 describes the fields in the **Collateral Pool Report Parameters** dialog:

Table 7-11 Collateral Pool Report Parameters fields

Name	Description
Counterparty	The counterparty filter criterion.
Entity	The entity filter criterion.
Convention	The convention filter criterion.
Exclude	Toolkitable filter that excludes given elements from the report. The default is no filter.
Start Date	The start date of the report. All collateral movements prior to this date will not be taken into account.
End Date	The end date. No collateral movements after this date will be taken into account.
Currency	The currency for the collateral value aggregation. The default is the currency of the first agreement in the report list.
Exclude Cash Pool	When selected, cash collateral will not be calculated and added to the report value.
Exclude Security Pool	When selected, security collateral will not be calculated and added to the report value.
Calculate Cash Interest	When selected, provides detailed cash interest explanations for each cash pool.

Collateral Pool Report Window

Once you have specified the parameters for the Collateral Pool Report, the Collateral Pool Report window is displayed, as shown in figure 7-12:

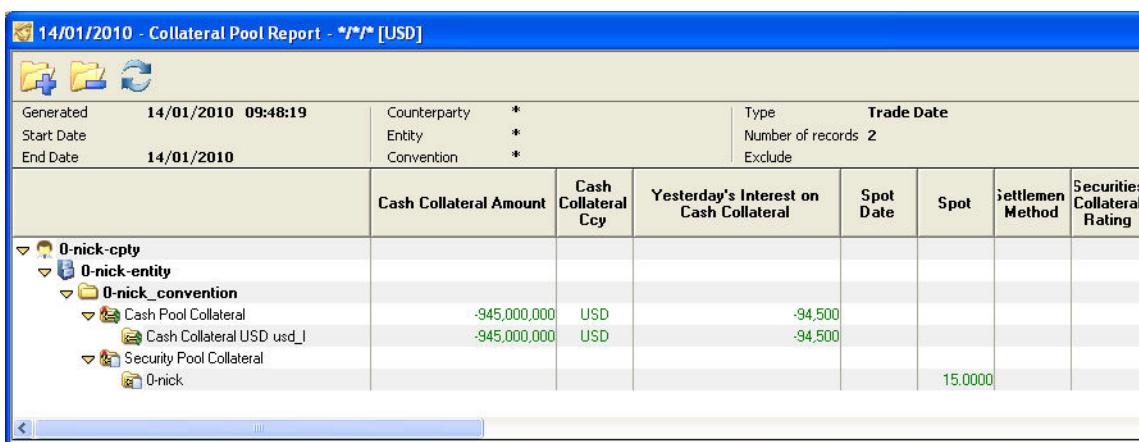


Figure 7-12 Collateral Pool Report window

The **Collateral Pool Report** window displays the following information in the header:

- **Generated** — The date the report was generated.
- **Start Date** — The start date of the report.
- **End Date** — The end date. No collateral movements past this date are taken into account.
- **Number of Records** — The number of records in the report.
- **Counterparty** — The counterparty filter, set in the **Collateral Pool Report Parameters** dialog.
- **Entity** — The entity filter, set in the **Collateral Pool Report Parameters** dialog.
- **Convention** — The convention filter, set in the **Collateral Pool Report Parameters** dialog.
- **Exclude** — Specified elements are excluded from the result.
- **Type** — displays the data type specified in the **Stock Loan** tab of the **Preferences** window.

Table 7-8 lists the columns in the **Limits Calculation** window:

Table 7-12 Columns in the Collateral Pool Report window (Sheet 1 of 3)

Name	Description
Allotment	The allotment of the deal.
Cash Collateral Amount	The total amount of cash margin calls performed on the collateral. When the collateral is from a pool, this shows the total of all margin calls and when it is for a contract, the amount shows the total margin calls for that contract.
Cash Collateral Ccy	The currency of cash collateral or cash margin calls.
Collateral Owner	The owner of the collateral.
Collateral Value in Instrument Ccy	The total value for the type of guarantee, expressed in the instrument currency.
Collateral Value in Ref Ccy	The total value for the type of guarantee, expressed in the reference currency.
Delivery Type	The delivery type to apply to the deal.
Depositary	The depositary of the deal.
Depositary of the Counterparty	The depositary of the counterparty of the deal.
Forex	The exchange rate for the deal.
Forex Date	The date of the specified Forex exchange rate.
Haircut	The haircut applied to the contract. Depending on the type of guarantee, the haircut from the instrument definition or from the collateral agreement is applied.

Table 7-12 Columns in the Collateral Pool Report window (Sheet 2 of 3)

Name	Description
Indicator Name	The collateral indicator specified for the limits calculation.
Instrument Ccy	The currency of the underlying instrument.
Interest on Cash Collateral (in Collateral Ccy)	The interest that has accumulated on cash collateral since the last Payment date.
Interest Paid Today	The interest paid today.
ISIN	The ISIN code of the underlying.
Is Forex up to Date	Specifies whether the Forex data is up to date.
Is Spot up to Date	Specifies whether the spot price is up to date.
Last Margin Date	The date on which the last securities or cash margin call took place.
Make Substitution	Indicates whether a collateral substitution is necessary. A 'yes' value indicates that at least one substitution is required.
Maturity	The maturity of the underlying bond.
Next Dividend/Coupon Date	The date of the next dividend or coupon payment.
Next Interest Payment Date	The next 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 agreement parameters.
Payment Method	The specified payment method of the deal.
Securities Collateral Accrued	The accrued interest amount on the securities collateral, calculated when the Rolling Interest check box is selected in the collateral agreements dialog.
Securities Collateral Nominal	The nominal of securities held as collateral. Cash collateral is not included in this figure.
Securities Collateral Rating	The rating of the underlying bond.
Securities Collateral Qty	The quantity of securities held as collateral. Cash collateral is not included in this figure. This is calculated as: Initial Number of Securities + Security Margin Call Quantity - Partial Returns.
Settlement Method	The settlement method of the deal.

Table 7-12 Columns in the Collateral Pool Report window (Sheet 3 of 3)

Name	Description
Spot	The spot price of the deal.
Spot Date	The date of the spot price.
Yesterday's Interest on Cash Collateral	The interest that has accumulated on cash collateral since the last Payment date, and from yesterday.

Chapter 8 Margin Calls

This chapter describes the procedures required for issuing margin calls on collateral assets.

The chapter describes:

- *"Margin Calls" on page 108*
- *"Types of Margin Calls" on page 108*
- *"Guidelines for Performing Margin Calls" on page 109*
- *"Performing Cash Margin Calls" on page 109*
- *"Performing Securities Margin Calls" on page 113*
- *"Performing Global Cash Margin Calls" on page 119*
 - *"Cash Pool Global Margin Call" on page 120*
 - *"Security vs Security Global Cash Margin Call" on page 122*
 - *"Security vs Cash Global Cash Margin Call" on page 124*

Margin Calls

The value of principal assets and their associated collateral assets is the marked-to-market (MTM) value of the assets comprising them. When assets value changes, the lender requires more or less collateral to guarantee the principal assets and maintain the credit risk within acceptable limits. This relationship is shown in figure 8-1:

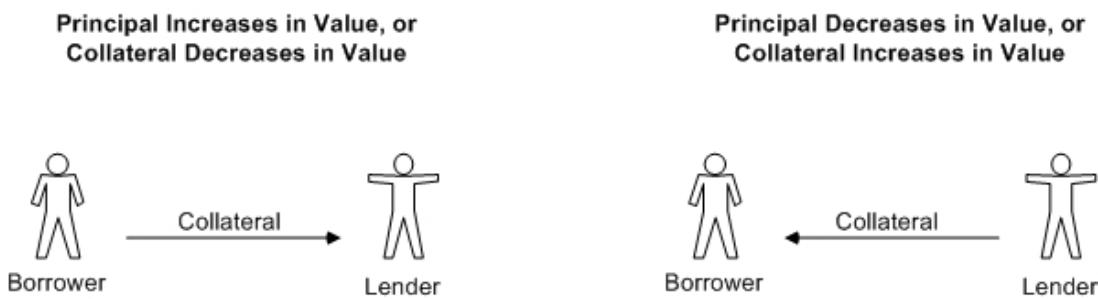


Figure 8-1 Relationship Between Asset Value Changes and Collateral Transfers

Margin calls represent the amount of cash or securities that one party in an agreement provides another party to adjust the total collateral so that it adequately matches the current risk exposure. Margin calls are made when the credit risk, which is the difference in the value of the loaned products and the collateral, exceeds certain limits. The limits for collateral are set in the **Rules for Collateral** window.

Types of Margin Calls

You can make the following types of margin calls:

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

For cash margin calls, the system creates a commission ticket with the Business Event "Cash Margin Call" and for securities margin calls, it creates a deal ticket with the Business Event "Securities Margin Call". Margin call tickets are placed in the Collateral Portfolio that is linked to the agreement to keep them separate from the product being guaranteed.

You can manage the margin call tickets using the Back Office workflows (Kernel and Securities Workflows).

You can define defaults for margin calls that arise from time-driven corporate events in the **Credit Tab** of the Back Office Parameters. See the *Back Office User Guide* for more information.

Guidelines for Performing Margin Calls

When securities comprise the initial collateral deposit, you can perform either cash or securities margin calls to adjust the collateral.

You can perform the first cash margin call in the collateral currency, the principal currency, or in another currency. Subsequent margin calls will then have the same currency as the first one.

Global margin calls can be performed in any currency or security, as configured in the collateral agreement parameters. Margin calls per contract or on a pool are usually limited to a given currency or security, or to currency or security of the first margin call.

Table 8-1 outlines the sign and quantity to use for each type of margin call to bring the credit risk back to within acceptable limits.

Table 8-1 Margin call types and purposes.

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

Performing Cash Margin Calls

Cash margin calls allow you to transfer cash as collateral between the entity and counterparty of a collateral agreement.

You can perform cash margin calls from the following windows:

- The **Stock Loan and Repo Mgt** or **CFD Report** window.
- The **Collateral Limits Calculation** window.

To perform a cash margin call:

- 1 In the **Stock Loan and Repo Mgt** window, right-click the deal for which you want to issue a margin call.
- 2 Select **Cash Margin Call**.

The **Cash Margin Call** window is displayed, as shown in figure 8-2:

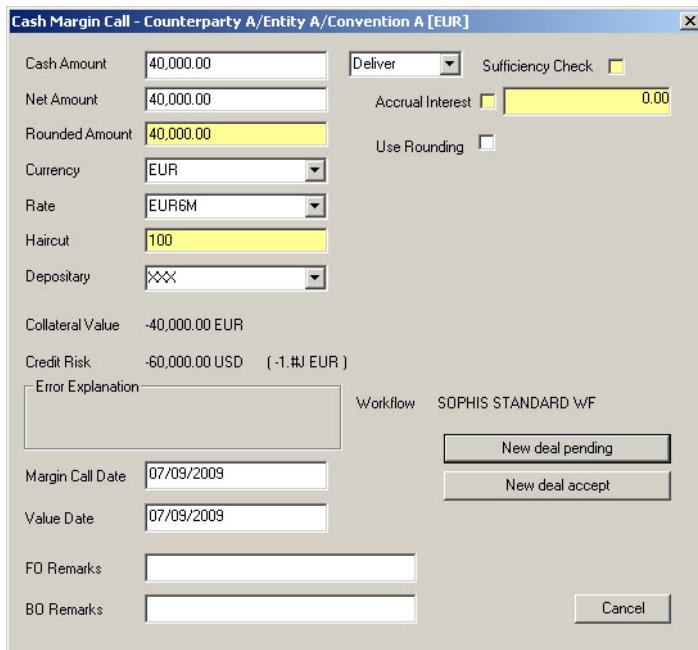


Figure 8-2 Cash Margin Call window

The fields of the **Cash Margin Call** window are defined in table 8-2:

Table 8-2 Fields in the Cash Margin Call window (Sheet 1 of 2)

Name	Description
Cash Amount	Enter an amount to transfer. Note: When the Advanced Stock Loan is enabled, the amount in the Credit Value in Ref Ccy field is automatically inserted here. For an example of calculating margin call quantities, see "Performing Securities Margin Calls" on page 113.
Pay or Receive	Allows you to specify the direction of the transaction. See Table 8-1.

Table 8-2 Fields in the Cash Margin Call window (Sheet 2 of 2)

Name	Description
Accrual Interest	The Accrual Interest field is populated with the accrued interest amount when the Rolling Interest check box is selected in the Collateral Agreement Parameters window. You can disable the rolling interest by deselecting the Accrual Interest check box.
Net Amount	The net amount for the trade.
Rounded Amount	The rounded amount, when Use Rounding is selected.
Use Rounding	Allows you to choose whether or not to use the defined Rounding method for this Margin Call.
Mark Spot	Checking this displays the following fields: <ul style="list-style-type: none"> Instrument — Displays the name of the underlying instrument. Und. Price/XXX — Displays the price of the underlying, where XXX is the currency. Coll. Price/XXX — Displays the Collateralised Price, where XXX is the currency.
FX Rate	The Forex rate of the deal. Note The field is only displayed when deal contains a Forex.
Currency	The currency of the cash. This field initially displays the reference currency used to calculate the amount displayed. The system lists the currencies specified in the Collateral Stock tab. If the collateral is in a different currency, the system converts the values to the specified currency before checking data.
Rate	The interest rate to apply to the forex.
Haircut	The Haircut percentage.
Depository	The depositary for the trade.
Collateral Value	Displays the value of the collateral.
Credit Risk	The total credit risk for the type of guarantee.
Margin Call date	The date that the Margin Call is booked on.
Value Date	The Value Date of the Margin Call.
FO Remarks	Comments from the Front Office.
BO Remarks	Comments from the Back Office

- 3 Click a BO (Kernel) Workflow button.

The names of the BO Workflow buttons depends on the currently selected Kernel Workflow Definition. In Figure 8-2, for example, the buttons **New deal pending** and **New deal accept** are Kernel Events in the Kernel Workflow "SOPHIS STANDARD WORKFLOW". For more information about Kernel Workflows, see the *Back Office User Guide*.

The Value in the **Collateral Limits Calculation** window is updated.

The system creates a Commissions instrument (if the instrument does not exist already for the counterparty, rate and convention) and a ticket for the amount in the Collateral Portfolio that is linked to the agreement.

The instrument can be used for subsequent cash margin calls on the same agreement and currency. The new Commissions instrument is displayed in the **General List** window. Its name includes the word "MC", the instrument name, the entity, and counterparty.

The margin call ticket uses the business event that is specified for the cash margin call in the **Stock Loan** tab of the **Back Office Parameters** window.

You can then manage the commission ticket using the Back Office workflows (Kernel and Securities Workflows).

Cash Margin Call Per-Contract Example

Entity A lends 100 ACCOR securities on a per-contract basis to Counterparty B with a hedging ratio of 120%,. The securities have an initial spot = €10.

The principal value is -€1200.

The Entity receives the initial collateral deposit, which is calculated as:

$$([ticket\ quantity] * [initial\ spot\ of\ underlying] * [Hedging\ Ratio]) = -100 * €10 * 120\% = -€1200$$

The credit risk is calculated as being the difference between the Principal Value and the Collateral Value. It is represented as:

$$- \text{Principal Value} + \text{Collateral Value} = 1200 - 1200 = 0$$

The credit risk exposure is zero which means that neither party is at risk.

At a subsequent date, the spot of the ACCOR securities decreases from €10 to €8. The Principal Value is $-100 * €8 * 120\% = -€960$. The credit risk for the loan is calculated as:

$$- \text{Principal Value} + \text{Collateral Value} = 960 - 1200 = -240$$

The credit risk value is negative, indicating that the Entity holds more collateral than required for the current risk exposure.

If the credit risk value exceeds pre-defined limits, then Entity A would return collateral to Counterparty B using a cash margin call with a positive amount.

Performing Securities Margin Calls

Securities Margin calls allow you to transfer securities as collateral between the entity and counterparty of a collateral agreement.

You can perform securities margin calls from the following windows:

- The **Collateral Limits Calculation** window.
- The **Stock Loan and Repo Mgt** and the **Detailed Limits Report** windows.

To perform a securities margin call, do the following:

- 1 From the **Collateral Limits Calculation** window, right-click the agreement for which you want to issue a margin call.
- 2 Select **Securities Margin Call**.

The **Securities Margin Call** window is displayed, as shown in figure 8-3:

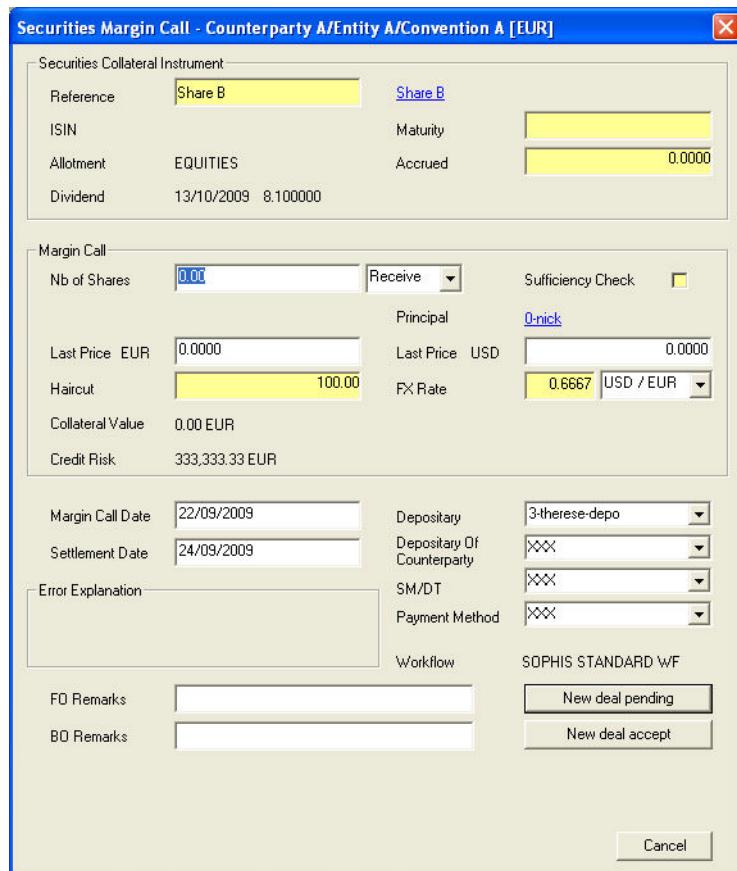


Figure 8-3 **Securities Margin Call** window

The fields of the **Securities Margin Call** window are described in table 8-3:

Table 8-3 Fields in the Securities Margin Call dialog (Sheet 1 of 2)

Name	Description
Entity	Located in the title bar. The entity of the stock loan deal.
Counterparty	Located in the title bar. The counterparty of the stock loan deal.
Reference	The reference of the instrument to use for the securities margin call.
ISIN	The ISIN code of the principal.

Table 8-3 Fields in the Securities Margin Call dialog (Sheet 2 of 2)

Name	Description
Allotment	The allotment for the deal.
Dividend	The time and amount of the next dividend payment.
Maturity	The end date of the trade.
Accrued	The accrued interest amount, calculated when the Rolling Interest check box is selected in the Collateral Agreements dialog.
Nb of Shares	The quantity of securities for the margin call.
Last Price Ccy	The last price and currency of the reference underlying.
Haircut	The haircut percent to apply.
Collateral Value	The value of the collateral.
Credit Risk	The total credit risk for the type of guarantee.
Deliver/Receive	Specifies the direction of the transaction.
Sufficiency Check	Selecting this check box enables the sufficiency limit functionality in the corresponding Collateral Agreement. If no value has been specified in the agreement, the checkbox is disabled.
Margin Call Date	The date that the margin call is booked on. This becomes the trade date of the margin call ticket. The default is today's date.
Settlement Date	The settlement date to apply to the margin call instrument. The default is today's date.
Depository	The depository that is involved in the transfer of the securities. The system automatically inserts the depository from the initial deal ticket.
Depository of Counterparty	The depository of the counterparty for the deal.
SM/DT	The Settlement Method/Delivery Type to apply to the margin call.
Payment Method	Allows you to define your payment method.
Error Explanation	Displays information about any errors in the securities margin call.
Workflow	The specified workflow of the deal.
FO Remarks	Comments from the Front Office.
BO Remarks	Comments from the Back Office.

- 3 Complete the details for the securities margin call.
- 4 Click a BO (Kernel) Workflow button.

For example, in Figure 8-3, the buttons **New deal pending** and **New deal accept** are Kernel Events in the Kernel Workflow "SOPHIS STANDARD WORKFLOW". For more information about Kernel Workflows, see the *Back Office User Guide*.

The Value in the **Collateral Limits Calculation** or **Stock Loan and Repo Mgt windows** is updated.

RISQUE creates a Loan on Stock instrument for the margin call and sets the model to "Collateral". The new instrument can be used for subsequent security margin calls on the same agreement, security, and depositary. Its name includes the word "MC", the instrument name, the entity, and counterparty.

In addition to creating an instrument, RISQUE also creates a ticket in the Collateral Portfolio that is linked to the agreement for the margin call quantity and with an amount of zero. The margin call ticket uses the business event that is specified for the securities margin call in the **Stock Loan** tab of the **Back Office Parameters** window.

You can then manage the commission ticket using the Back Office workflows (Kernel and Securities Workflows).

Securities Margin Calls for Securities Per Contract and Securities Pool

Figure 8-4 shows the **Securities Margin Call** dialog for XXX vs Securities and Securities Pool stock loans. The fields and some functionality for this dialog differ somewhat from the **Securities Margin Call** dialog for other types of stock loan.

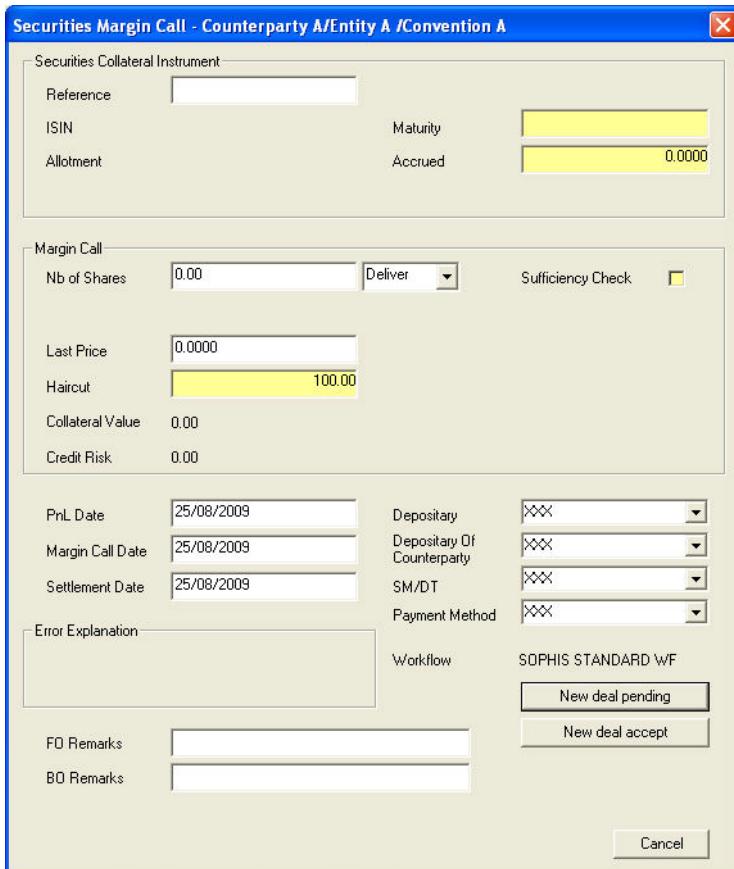


Figure 8-4 Securities Margin Call dialog for Securities Per Contract or Pool

Table 8-4 lists the fields in the **Securities Margin Call** dialog:

Table 8-4 Fields in the Securities Margin Call dialog (Sheet 1 of 2)

Name	Description
Entity	Located in the title bar. The entity of the stock loan deal.
Counterparty	Located in the title bar. The counterparty of the stock loan deal.
Reference	The reference of the instrument to use for the securities margin call.
ISIN	The ISIN code of the principal.
Allotment	The allotment for the deal.

Table 8-4 Fields in the Securities Margin Call dialog (Sheet 2 of 2)

Name	Description
Coupon	The next coupon date.
Maturity	The end date of the trade.
Accrued	The accrued interest amount, calculated when the Rolling Interest check box is selected in the collateral agreements dialog.
Collateral Owner	The current owner of the collateral for the margin call.
Nb of Shares	The quantity of securities for the margin call.
Nominal	The nominal of the underlying.
Last Price Ccy	The last price and currency of the reference underlying.
Haircut	The haircut percent to apply.
Collateral Value	The value of the collateral.
Credit Risk	The total credit risk for the type of guarantee.
Deliver/Receive	Specifies the direction of the transaction.
Sufficiency Check	Selecting this check box enables the sufficiency limit functionality in the corresponding collateral agreement. If no value has been specified in the agreement, the checkbox is disabled.
Entry Date	The trade date of the stock loan deal.
Margin Call Date	The date that the margin call is booked on. This becomes the trade date of the margin call ticket. The default is today's date.
Settlement Date	The settlement date to apply to the margin call instrument. The default is today's date.
Depository	The depository that is involved in the transfer of the securities. The system automatically inserts the depository from the initial deal ticket.
SM/DT	The Settlement Method/Delivery Type to apply to the margin call.
Payment Method	Allows you to define your payment method.
Error Explanation	Displays information about any errors in the securities margin call.
Workflow	The specified workflow of the deal.
FO Remarks	Comments from the Front Office.
BO Remarks	Comments from the Back Office.

Margin Call on Securities Pool Example

Party C lends 100 ACCOR securities to counterparty D with a hedging ratio of 120%. The securities have an initial spot = €10. The loan is guaranteed from a Securities pool on IBM shares, which have a current spot of €40.

The entity requires an initial Collateral Deposit which is calculated as:

$$([ticket\ quantity] * [initial\ spot\ of\ underlying] * [Hedging\ Ratio]) = -100 * €10 * 120\% = -€1200$$

The initial deposit is made as a securities margin call on the Securities Pool. The number of collateral securities to cover €1200 is calculated as follows:

$$\begin{aligned} & \text{Collateral Amount Required} / [\text{current spot of underlying}] * [\text{haircut}] \\ & = 120 / 40 = 30 \end{aligned}$$

Therefore, 30 IBM shares at €40 are required to secure €1200 in collateral.

Performing Global Cash Margin Calls

Important This functionality is only available from the Stock Loan and Repo Mgt window. See "Stock Loan and Repo Mgt Window" on page 81.

The **Global Cash Margin Call** dialog allows you to perform Cash Margin Calls on multiple positions simultaneously. To access the **Global Cash Margin Call** dialog, right-click on the contract type and select **Cash Margin Call**.

There are three types of global cash margin calls available:

- "Cash Pool Global Margin Call" on page 120
- "Security vs Security Global Cash Margin Call" on page 122
- "Security vs Cash Global Cash Margin Call" on page 124

Important This functionality is only available for Cash Versus Security and Security Versus Cash type contracts.

For all global cash margin call windows, the following columns are editable:

- **Und. Price** — Editing this value causes a recalculation of the Principal Amount, Needed Collateral and Margin Call In Collateral CCY.
- **Collateralized Price** — Editing this value causes a recalculation of the Price In Principal Ccy, Principal Amount, Needed Collateral and Margin Call In Collateral CCY.
- **Cash Amount** — Sets the amount you want in the margin call.

Also, for all global cash margin call windows, the first line displays the sum of the values in the **Margin Call** and **Cash Amount** columns.

These sums are displayed at the top of their respective columns, and change if a margin call or cash amount value changes. This line can not be modified, and is indicated by the word **TOTAL** in the **Principal** column.

Cash Pool Global Margin Call

The **Cash Pool Margin Call** dialog is shown in figure 8-5:

Figure 8-5 Global Cash Margin Call dialog

Table 8-5 lists the **Global Cash Margin Call** columns and fields, and their descriptions:

Table 8-5 Global Cash Margin Call dialog column explanation. (Sheet 1 of 2)

Name	Description
Position Id	ID of the position of the Stock Loan or Repo
Principal	Underlying instrument of the Stock Loan
Principal ISIN	Universal Reference
Principal Qty.	Quantity
Principal Ccy.	Currency of the principal.
Value Date	Value Date
Principal Value	Quantity * price
Hedging Ratio	Hedging percentage
Forex	The forex between the principal and collateral part of the Stock Loan. This field is editable.
Und. Price	Market price of the underlying instrument.
Collateralized Price	Price with Hedging and Haircut applied.

Table 8-5 Global Cash Margin Call dialog column explanation. (Sheet 2 of 2)

Name	Description
Collateral CCY	Collateral Currency and the currency that the margin call will be in.
Cash Collateral Haircut	The Collateral Haircut.
Net Amount	Displays the net amount for the trade.
Cash Amount	This value is the difference between the required collateral and the collateral amount, and is the amount of cash to be transferred for the margin call. The Haircut is applied to this value. Note: The sum of the values in this column are displayed in the TOTAL line, which is the first line in the Global Cash Margin Call window.
Accrued Interest	The accrued interest amount, calculated when the Rolling Interest check box is selected in the Collateral Agreement dialog.
Accrued Interest 1d	Displays the difference in accrued interest between the previous day and the current day.
FO Remarks	Comments from the Front Office.
Credit Risk	Displays the credit risk. This is the same value as that in the Credit Risk in Ref Ccy column in the Stock Loan and Repo Mgt window.
Current Collateral Value	Calculated by the equation <i>Current Collateral Value in Collat. Ccy = Initial Deposit Amount * Initial Deposit Haircut + Cash Margin Call Amount * Cash Margin Call Haircut.</i>
Initial Collateral Value	The collateral received or delivered at the initialisation of the contract.
Margin Call	The value of the margin call risk. Note: The sum of the values in this column are displayed in the TOTAL line, which is the first line in the Global Cash Margin Call window.
Margin Call Value	The value of the margin call risk without the haircut.

- Important** It is possible to specify Cash Margin Calls for Security vs Cash contracts directly in the Global Cash Margin Call dialog, but if you want to specify Margin Calls for Cash Versus Security, you must first perform individual margin calls to specify the currency and the rate.
- Once you have done this on this type of contract, you cannot change the currency or rate. Such positions are marked in the Global Cash Margin Call dialog with a red strike through.

Security vs Security Global Cash Margin Call

The **Security vs Security Global Cash Margin Call** window is shown in figure 8-6:

Security vs Security Global Cash Margin Call														
Position Id	Principal	Prin...	Principal...	Principal Qty	Value Date	Hedg...	Principal Value	Margin Call	Cash Amount	Margin Call V...	Accrued Inte...	FO Remarks	Needed Coll...	Current Coll...
TOTAL														
13.061	SHARE 1	EUR		65,000	29/09/2009	100.00	975,000.00					975,000.00	300,000	
13.381	0 nick	USC		50,000	29/09/2009	100.00								
13.621	0 nick	USD		55,000	29/09/2009	100.00	373,333.33					373,333.33	373,333	

Figure 8-6 Security vs Security Global Cash Margin Call

Table 8-6 lists the **Security vs Security Global Cash Margin Call** window columns and their descriptions:

Table 8-6 Columns in the Security vs Security Global Cash Margin Call window (Sheet 1 of 2)

Name	Description
Position Id	ID of the position of the Stock Loan or Repo
Principal	Underlying instrument of the Stock Loan
Principal ISIN	Universal Reference
Principal Qty.	Quantity
Principal Ccy.	Currency of the principal.
Value Date	Value Date
Principal Value	Quantity * price
Hedging Ratio	Hedging percentage
Forex	The forex between the principal and collateral part of the Stock Loan. This field is editable.
Und. Price	Market price of the underlying instrument.

Table 8-6 Columns in the Security vs Security Global Cash Margin Call window (Sheet 2 of 2)

Name	Description
Coll. Price	Price with Hedging and Haircut applied.
Collateral CCY	Collateral Currency and the currency that the margin call will be in.
Cash Collateral Haircut	The Collateral Haircut.
Net Amount	Displays the net amount for the trade.
Cash Amount	This value is the difference between the required collateral and the collateral amount, and is the amount of cash to be transferred for the margin call. The Haircut is applied to this value.
Accrued Interest	The accrued interest amount, calculated when the Rolling Interest check box is selected in the Collateral Agreement dialog.
FO Remarks	Comments from the Front Office.
Credit Risk	Displays the credit risk. This is the same value as that in the Credit Risk in Ref Ccy column in the Stock Loan and Repo Mgt window.
Current Collateral Value	Calculated by the equation <i>Current Collateral Value in Collat. Ccy = Initial Deposit Amount * Initial Deposit Haircut + Cash Margin Call Amount * Cash Margin Call Haircut.</i>
Initial Collateral Value	The collateral received or delivered at the initialisation of the contract.
Margin Call	The value of the margin call risk.
Margin Call Value	The value of the margin call risk without the haircut.
Needed Collateral	The collateral needed for the margin call
Current Collateral Amount	The current amount of collateral available.

Security vs Cash Global Cash Margin Call

The **Cash vs Security Global Cash Margin Call** window is shown in figure 8-7:

Security vs Cash Global Cash Margin Call - USD																
Position Id	Principal	Margin Call Value	Margin Call	Cash Amount	Cash Collateral Ccy	Prin...	Principal...	Principal Qty	Value Date	Hedg...	Principal Value	Forex	Und. Price	Coll		
	TOTAL				USD	USD										
16,441	O-nick				USD	USD			-6900	29/09/2009	100.00	69,000.00	1.0000	10.0000		
16,442	O-nick	0.31	-0.31	-0.31	USD	USD			60	29/09/2009	100.00	-600.00	1.0000	10.0000		
16,443	O-nick	-400.80	400.80	400.80	USD	USD			-14,300	29/09/2009	100.00	143,000.00	1.0000	10.0000		
16,487	O-nick	-363.00	363.00	363.00	USD	USD			-8000	29/09/2009	100.00	80,000.00	1.0000	10.0000		
16,490	O-nick	-403.80	403.80	403.80	USD	USD			-14,800	29/09/2009	100.00	148,000.00	1.0000	10.0000		
17,041	O-nick				USD	USD			-999,990	29/09/2009	100.00	9,999,900.00	1.0000	10.0000		

Figure 8-7 Security vs Cash Global Cash Margin Call

Table 8-7 lists the **Security vs Cash Global Cash Margin Call** window columns and their descriptions:

Table 8-7 Columns in the Security vs Cash Global Cash Margin Call window (Sheet 1 of 2)

Name	Description
Total Line	Displays the sum of the values in the Margin Call and Cash Amount columns. These sums are displayed at the top of their respective columns, and change if a margin call or cash amount value changes. This line cannot be modified, and is indicated by the word TOTAL in the Principal column.
Position Id	ID of the position of the Stock Loan or Repo
Principal	Underlying instrument of the Stock Loan
Principal ISIN	Universal Reference
Principal Qty.	Quantity
Principal Ccy.	Currency of the principal.
Value Date	Value Date
Principal Value	Quantity * price

Table 8-7 Columns in the Security vs Cash Global Cash Margin Call window (Sheet 2 of 2)

Name	Description
Hedging Ratio	Hedging percentage
Forex	The forex between the principal and collateral part of the Stock Loan. This field is editable.
Und. Price	Market price of the underlying instrument.
Coll. Price	Price with Hedging and Haircut applied.
Cash Collateral CCY	The cash collateral currency.
Cash Coll. Haircut	The cash collateral haircut.
Net Amount	Displays the net amount for the trade.
Cash Amount	This value is the difference between the required collateral and the collateral amount, and is the amount of cash to be transferred for the margin call. The Haircut is applied to this value.
Accrued Interest	The accrued interest amount, calculated when the Rolling Interest check box is selected in the Collateral Agreement dialog.
FO Remarks	Comments from the Front Office.
Credit Risk	Displays the credit risk. This is the same value as that in the Credit Risk in Ref Ccy column in the Stock Loan and Repo Mgt window.
Current Collateral Value	Calculated by the equation <i>Current Collateral Value in Collat. Ccy = Initial Deposit Amount * Initial Deposit Haircut + Cash Margin Call Amount * Cash Margin Call Haircut</i> .
Initial Collateral Value	The collateral received or delivered at the initialisation of the contract.
Margin Call	The value of the margin call risk.
Margin Call Value	The value of the margin call risk without the haircut.
Needed Collateral	The collateral needed for the margin call
Current Collateral Amount	The current amount of collateral available.
Partial Return Quantity	Displays the quantity of partial returns performed where the trade date is less than or equal to the price date, and the value date is greater than or equal to the price date. For example, a stock loan of 100 shares is created on the 1st of June, with an expiry on the 30th of June. On the 15th of June a partial return of 50 shares with a value date of the 18th of June is performed. From the 15th to the 18th of June the quantity in the Partial Return Quantity column is 50 shares.

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