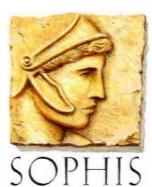


Sophis

Collateral Management

Version	5.3.6.10
Sophis software compliance	RISQUE 5.3.6.10
Document update	September 2010



RISQUE User Guide

© 2010 Sophis Technology Ltd.

The accompanying software package is confidential and proprietary to Sophis Technology Ltd. or its respective licensors. No use or disclosure is permitted other than as set forth by written license with the authorized distributors of Sophis Technology Ltd.

Trademarks

Sophis and RISQUE are trademarks of Sophis Technology Ltd. or its respective licensors. All other company or product names used herein are trademarks of its respective owners.

Support

Sophis Technology Ltd. provides support for this software package according to the terms of your license agreement. For support, please contact us using one of the following methods:

Contact Method	Details
Telephone	+33 (1) 44 55 37 73
Fax	+33 (1) 42 60 32 54
E-Mail	support@sophis.net

Suggestions

Your suggestions and comments about the RISQUE functionality and its documentation are highly valued and can be used to further enhance our offerings available to you. We will be glad to receive your suggestions at:

Sophis SA
10 Rue Castiglione
75001
Paris
France

Additional Licenses

Please contact your Sophis Technology Ltd. sales representative to order additional licenses of RISQUE software. The Sophis home page, www.sophis.net, contains a complete overview of RISQUE sales offices and further contact details.

Contents

Chapter 1 — Introduction

Collateral Management	11
Conventions	13
Collateral Agreements	13
Credit Risk Calculation	14
Hedging and Haircuts	15
Hedging	15
Haircuts	16
Margin Calls	16
Auditing	17
End of Year Process	18

Chapter 2 — Configuring Collateral Management

Collateral Portfolio	19
Creating the Collateral Portfolio	20
Collateral Management User Rights	22
User Right Levels	22
Collateral Management User Rights	22
Collateral Agreement Tabs Rights	24
Modifying Collateral Management User Rights	25

Chapter 3 — Conventions

Using Conventions	27
Viewing Collateral Conventions	28
Creating Collateral Conventions	29
Deleting Collateral Conventions	29
Auditing Collateral Conventions	29
Collateral Convention Groups	31
Creating Collateral Convention Groups	31

User Guide

Linking Conventions With Instruments	32
Viewing Instrument-Convention Links	33
Creating Instrument-Convention Links	34
Deleting Instrument-Convention Links	35
Auditing Convention Selector	35
Assigning a Collateral Convention to an Instrument	35
Collateral Indicators	36
Collateral Indicator of an Example Stock Loan Deal	37

Chapter 4 – Agreements

Collateral Management Agreements	42
Collateral Management Agreements Window	42
Toolbar of the Collateral Management Agreements Window	43
Active Filters Frame	44
Columns in the Collateral Management Agreements Window	45
Working With Collateral Agreements	45
Viewing Collateral Agreements	46
Applying Filters to Collateral Management Agreements	46
Creating Collateral Agreements	47
Modifying Collateral Agreements	48
Duplicating Collateral Agreements	49
Deleting Collateral Agreements	50
Auditing Collateral Agreements and Parameters	50
Viewing Collateral Agreements from Third Window	52
Collateral Agreement Parameters	53
The General Tab	54
The Credit Risk Calculation Tab	56
The Margin Call Tab	59
The Collateral Stocks Tab	61
The Principal Stocks Tab	65
The Fees and Interest Tab	69
The Collateral Call Tab	73
The Threshold Tab	74
Fee Marks	76

Chapter 5 – Credit Risk Calculation and Management

Defining Limits for Collateral	82
--	----

Operators in Collateral Limit Rules	84
Calculating the Credit Risk	85
Calculating the Results	88
Interpreting Credit Risk Results	88
Filtering the Results	90
Viewing Agreement Parameters	91
Viewing Credit Risk by Instrument	91
Including Closed Positions in the Limits Calculation	92
Enabling Strict Agreement Filtering in the Limits Calculation	93
Stock Loan and Repo Mgt Window	93
Tri-party Managed Collateral Agreements	95
Columns in the Stock Loan and Repo Mgt window	95
Buttons in the Stock Loan and Repo Mgt window	98
Credit Risk Management Tasks	98
Collateral Substitution	100
Commission Explanation	102
Collateral Interest Explanation	104
Detailed Limits Report	107
Collateral Summary	108
Columns in the Detailed Limits Report window	108
Buttons in the Detailed Limits Report Window	110
Collateral Management Tasks	111
Collateral Pool Report	112
Accessing the Collateral Pool Report	112
Collateral Pool Report Parameters	113
Collateral Pool Report Window	114

Chapter 6 — Collateral Scheduler

Collateral Scheduler Extractions	117
Collateral Scheduler Report	122
Collateral Scheduler Report Window	122
Creating a Report	122

Chapter 7 — Securities Report

Introduction	128
Configuring the Securities Report Window	128
Interface	129

User Guide

Securities Report Parameters Dialog	129
Securities Report Window.	130
Launching the Securities Report	135
Generating a Report	135
Securities Report Actions	135
Performing a Purchase/Sale	135
Booking a Stock Loan	137
Viewing Information about the Instrument.....	138
Opening the Portfolio.....	138
Refreshing the Securities Report	138
Loading Instrument Information	139
Explanations	139
Explanation Tab User Interface.....	140
Launching Explanations	141
Explanation Tab Tasks	141
Managing Stock Loan Contracts	143
Running Projections	143
Projection Tab User Interface	144
Launching Projections	145

Chapter 8 — Margin Calls

Margin Calls	147
Types of Margin Calls.....	148
Guidelines for Performing Margin Calls.....	148
Performing Cash Margin Calls	149
Performing Securities Margin Calls	152

Preface

About this Guide

This guide is written for users of RISQUE 5.3.6.10.

Conventions

This section describes the typographical conventions used in this document.

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

RISQUE Documentation

This guide forms part of the RISQUE documentation set, which is comprised of 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>	<p>Describes the RISQUE architecture, and provides procedures for installing the RISQUE application.</p>
<i>RISQUE Instrument Reference Guide</i>	<p>Describes working with instruments in RISQUE and provides procedures for the following:</p> <ul style="list-style-type: none">• Creating instruments• Editing instruments• Referencing instruments• Configuring Listed Markets• Instrument Lists
<i>RISQUE Portfolio Management Guide</i>	<p>Describes the aspects of managing trades in RISQUE and provides procedures for the following:</p> <ul style="list-style-type: none">• Creating deals and automatic tickets.• Managing portfolios.• Analysing portfolios, through reporting and creation of scenarios.• Auditing the history of changes and updates and providing guidelines for interpreting the results.

Chapter 1 Introduction

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

- *Collateral Management on page 11*
- *Conventions on page 13*
- *Collateral Agreements on page 13*
- *Credit Risk Calculation on page 14*
- *Hedging and Haircuts on page 15*
- *Margin Calls on page 16*
- *Auditing on page 17*

Collateral Management

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

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

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

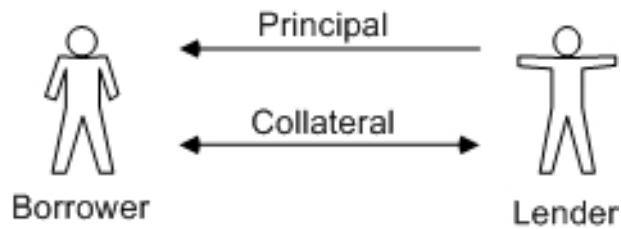


Figure 1-1 Bi-lateral agreement for collateral management

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 1-2:

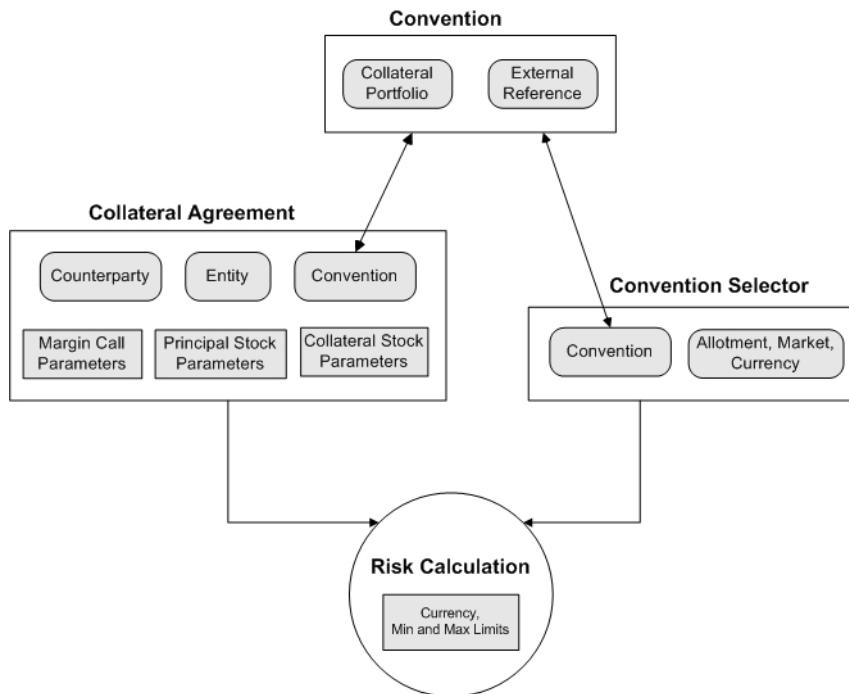


Figure 1-2 Elements of collateral management in RISQUE

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 14 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.

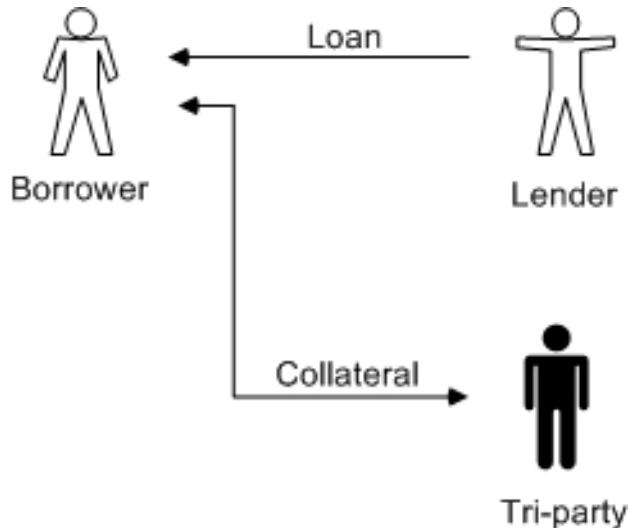


Figure 1-3 Tri-Party agreement for collateral management

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

Credit Risk Calculation

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

The Agreement parameters include hedging and haircut percentages which help to mitigate the risk involved in providing credit. Haircuts reduce the value of collateral assets while hedging increases the value of principal assets. For more information, see *Collateral Management Agreements* on page 42.

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.

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. See *Defining Limits for Collateral* on page 82.

Hedging and Haircuts

Hedging and haircuts are used to mitigate credit risk by altering the value of assets when they are used as principal or collateral. When the collateral guarantee is on a per-contract basis, RISQUE applies the hedging and haircut percentages that are defined in the instrument. For collateral pools, the percentages are taken from the collateral agreement.

Hedging

A hedging percentage is the percentage by which the value of an asset is increased when it is used as principal in a lending and borrowing agreement.

In RISQUE, you need to specify the percentage of the asset value to use when calculating the collateral value. Hedging percentages are greater than 100%, with no upper limit.

For example, hedging of 115% can be applied to equities which means that their asset value is increased by 15%, when calculating the principal value.

Haircuts

A haircut is the percentage by which the value of an asset is reduced when it is used as collateral. It is applied during credit risk calculations to non-cash collateral.

In RISQUE, you need to specify the percentage of the asset value to use when calculating the collateral value. The percentage must reflect the volatility of the assets.

For example, the haircut for bonds is usually 95%.

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 1-4:

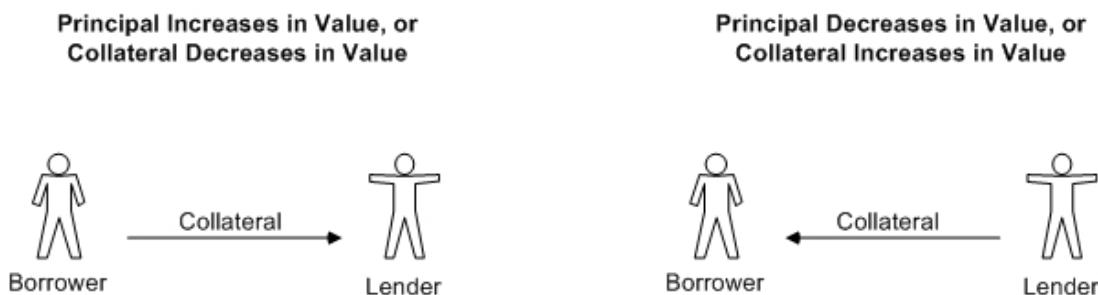


Figure 1-4 Asset value changes and collateral transfers

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 1-1 describes the sign and quantity to use for each type of margin call to bring the credit risk back to within acceptable limits:

Table 1-1 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 *Margin Calls on page 147*.

Auditing

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

- Collateral Conventions. See *Auditing Collateral Conventions on page 29*.
- Collateral Agreements and their parameters. See *Auditing Collateral Agreements and Parameters on page 50*.
- The Convention Selector. See *Auditing Collateral Conventions on page 29*.

End of Year Process

The End of Year (EOY) procedure creates balance tickets to set the P&L to zero at the reporting start date. Depending on the options you select when you run the EOY procedure, you can also set financing and treasury to zero.

For information on running the End of Year process, see Chapter End of Year Procedure in the RISQUE Administration Guide.

The following example illustrates how the EOY process works on a collateral agreement.

Take the following conditions:

The Entity lends \$1,000,000.00 worth of Share A in December and receives \$1,000,000.00 in cash as collateral.

The total of Share A is valued at \$1,300,000.00 with a value date of 7th January.

Suppose the commission that the Counterparty pays is 7.2% per month and the interest rate that the Entity pays to the Counterparty is 3.6% per month. Then:

Unrealised = \$300,000.00

Accrued interest = - \$36,000.00

Accrued commission = \$72,000.00

The stock loan is sold on the 31st December and the EOY process creates two deals with a settlement date on the same day.

Accrued Interest Reversal for interest on collateral = \$36,000.00

Accrued Commission Reversal for the commission = - \$72,000.00

In cash terms, you have - \$1,264,000.00

This is because:

Payment of original share purchase = - \$1,000,000.00

Unrealised amount, sold to bank = - \$300,000.00

Reversal of financing, sold to bank = \$36,000.00.

The real funding on \$1.3M will be included in next year's P&L, minus the reversal of the financing.

Note that if you re-evaluate the P&L after the End of Year procedure has run, the P&L is = 0, because the financing is cancelled by the financing reversal.

Note

The EOY process does not modify the average price.

Also, note that you cannot delete deals before the EOY process that occurs before the next payment. You must know the exact deals involved to be able to calculate the price and the payment of the next cash flow.

Chapter 2 Configuring Collateral Management

This chapter provides instructions for installing and using the Collateral Management module for the first time. The chapter describes the following:

- *Collateral Portfolio on page 19*
 - *Creating the Collateral Portfolio on page 20*
- *Collateral Management User Rights on page 22*
 - *User Right Levels on page 22*
 - *Collateral Management User Rights on page 22*
 - *Collateral Agreement Tabs Rights on page 24*
 - *Modifying Collateral Management User Rights on page 25*

Collateral Portfolio

Transactions which arise from margin calls on collateral are stored in sub-portfolios of a Collateral Portfolio to ensure that they are kept separate from the assets being guaranteed.

The sub-portfolios of the Collateral Portfolio are linked with conventions. Usually, there is one sub-portfolio for each convention. For more information about conventions, see *Using Conventions on page 27*.

Important

If no Collateral Portfolio is specified in the RISKPREF table, you may receive a warning message when you open the Collateral Conventions window. See *Warning Message when Accessing Collateral Conventions on page 30* for more information.

Creating the Collateral Portfolio

This section provides instructions for creating the COLLAT_FOLIO entry in the riskpref table, if it does not already exist, and for making an existing portfolio the collateral portfolio.

To create the collateral portfolio, do the following:

- 1 In the Root portfolio, create a portfolio, for example**Collat_folio**. Note the **Identifier** that the system attaches to the Collateral Portfolio. For example, the identifier is **1254** as shown in figure 2-1.

Alternatively, you can use the identifier of an existing portfolio, which will then be used as the collateral portfolio.

Figure 2-1 shows the **Folder Entry** window:

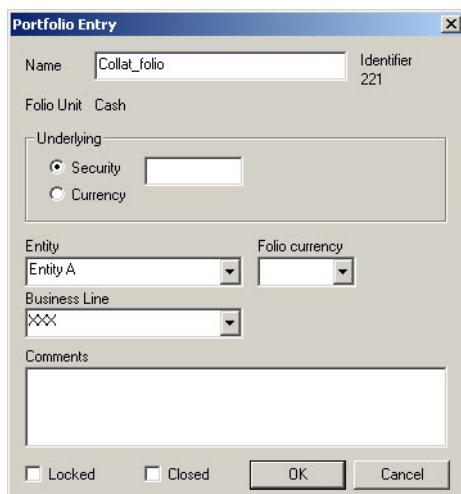


Figure 2-1 Folder Entry window

Note

The **Underlying** of the portfolio does not determine the contents of the portfolio. It can be used as a benchmark for comparing the performance of the portfolio contents against a specific security or currency.

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

```
Select * from riskpref
```

This retrieves and displays the contents of the RISKPREF table.

- 3 If 'COLLAT_FOLIO' exists in the **Prefnom** list, use the update SQL query. See Step 4 on page 21.
If 'COLLAT_FOLIO' does not exist in the **Prefnom** list, use the insert SQL query. See Step 5 on page 21.

- 4 Enter the following SQL command to update an existing 'COLLAT_FOLIO' assignment in RISKPREF:

```
Update riskpref set prefvaleur = <Ident> where prefnom =
'COLLAT_FOLIO'
```

where <Ident> is the identifier of 'Collateral Portfolio'.

For example:

```
Update riskpref set prefvaleur = 1254 where prefnom = 'COLLAT_FOLIO'
```

- 5 Enter the following SQL command to create 'COLLAT_FOLIO' in RISKPREF and assign a portfolio to it:

```
insert into riskpref (PREFNOM, PREFVALEUR, COMMENTAIRE) values
('COLLAT_FOLIO', <Ident>, '<Comment>')
```

where <Ident> represents the identifier of 'Collateral Portfolio'.

For example:

```
insert into riskpref (PREFNOM, PREFVALEUR, COMMENTAIRE) values
('COLLAT_FOLIO', 1254, 'Collateral Portfolio')
```

- 6 Close the **SQL Query** window.

- 7 Restart RISQUE to apply the changes.

- 8 Create at least one portfolio in the Collateral Portfolio in RISQUE.

Figure 2-2 shows the collateral portfolio, 'COLLAT_FOLIO', in the portfolios window:

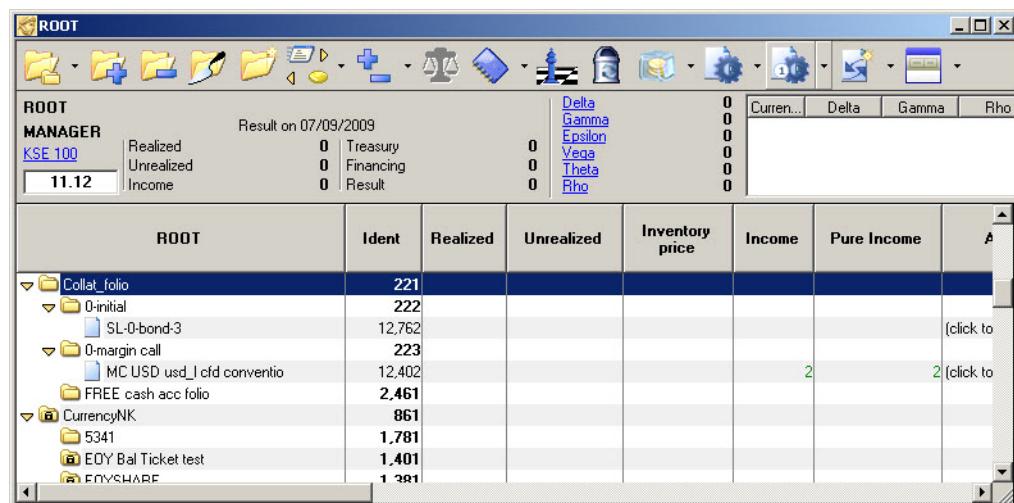


Figure 2-2 Collateral portfolio

Collateral Management User Rights

This section provides information about user rights for the Collateral Management module. It describes the following:

- *User Right Levels on page 22*
- *Collateral Management User Rights on page 22*
- *Collateral Agreement Tabs Rights on page 24*
- *Modifying Collateral Management User Rights on page 25*

User Right Levels

Depending on the function, the available options are A or B, as described in table 2-1:

Table 2-1 User Right Levels

Type	Option	Description
A	Yes	Users can access the function.
	No	Users cannot access the function.
B	No Access	Users cannot access information related to the function.
	Read	Users can access the menu item or the function, and view data associated with the function. Users cannot modify details.
	Write	Users can access the menu item or the function, and view data associated with the function. Users can modify details.
	Query	The right to access the function is governed by an SQL query. It applies the values in the Query Read and Query Write fields associated with the SQL query.

Collateral Management User Rights

The **Collateral Management** tab in the User property window provides access to user rights for collateral management and correspond to options available in the **Collateral Management** menu.

The letter in the **Type** column represents the User Right settings. For information, see *User Right Levels on page 22*.

Table 2-2 Collateral Management User Rights

Name	Type	Description
Agreements	B	Permission to access Collateral Agreements.
Cash Margin Call	B	Permission to perform cash margin calls from the context menu of the Detailed Limits Report , Collateral Limits Calculation , and Stock Loan and Repo Mgt windows.
Collateral Pool Report	A	Permission to run the Collateral Pool Report .
CFD Report	A	Permission to run the CFD Report.
Collateral Scheduler Report	A	Permission to run the Collateral Scheduler Report .
Collateral Scheduler Report Management	A	Permission to view and modify the list of collateral scheduler reports.
Conventions	B	Permission to view and modify collateral conventions.
Convention Selector	B	Permission to view and modify the Conventions Selector .
Indicator Selector	B	Permission to view and modify the Indicator Selector .
Limits Calculation	B	Permission to run credit risk calculations for Collateral Management.
Limits Definition	B	Permission to view and modify the credit risk limits for Collateral Management.
Securities Margin Call	B	Permission to perform securities margin calls from the context menu of the Detailed Limits Report , Collateral Limits Calculation , and Stock Loan and Repo Mgt windows.
Securities Report	A	Permission to view and modify the Securites Report .
User Comments	B	Permission to view and modify user comments.

Important

Access to the **Collateral Management** menu is granted through the **Collateral Management** option in the **Menus Access** tab.

Collateral Agreement Tabs Rights

The **Collateral Agreement Tabs** tab provides access to rights of the Collateral Management Parameters.

Table 2-3 describes the user rights in the **Collateral Agreement Tabs** tab. The letter in the **Type** column represents the User Right settings. For information column, see *User Right Levels on page 22*.

Table 2-3 Collateral Agreement User Rights

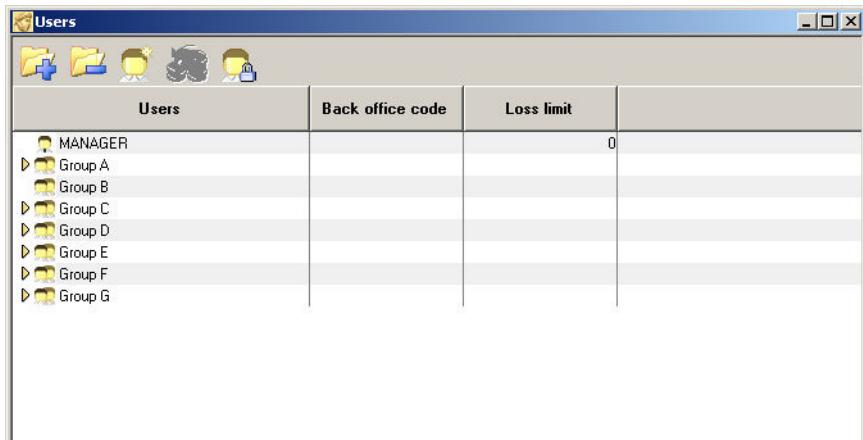
Name	Type	Description
CMA Collateral Stocks	A	Permission to view and modify details in the Collateral Stocks tab of the Collateral Agreement Parameters.
CMA Credit Risk Calculation	A	Permission to view and modify details in the Credit Risk Calculation tab of the Collateral Agreement Parameters.
CMA Fees & Interest	A	Permission to view and modify details in the Fees and Interest tab of the Collateral Agreement Parameters.
CMA General	A	Permission to view and modify details in the General tab of the Collateral Agreement Parameters.
CMA Margin Call	A	Permission to view and modify details in the Margin Call tab of the Collateral Agreement Parameters.
CMA Principal Stocks	A	Permission to view and modify details in the Principal Stocks tab of the Collateral Agreement Parameters.
CMA Threshold	A	Permission to view and modify details in the Threshold tab of the Collateral Agreement Parameters.

Modifying Collateral Management User Rights

To modify user rights, do the following:

- 1 From the **Manager** menu, select **Users**.

The **Users** window is displayed, listing all existing groups and users:



The screenshot shows a Windows-style application window titled "Users". The window has a toolbar at the top with icons for adding (+), deleting (-), and other operations. Below the toolbar is a table with three columns: "Users", "Back office code", and "Loss limit". The "Users" column contains a list of items: "MANAGER" (with a dropdown arrow) and "Group A", "Group B", "Group C", "Group D", "Group E", "Group F", and "Group G" (all with dropdown arrows). The "Back office code" and "Loss limit" columns are empty for most entries, except for "MANAGER" which has a value of "0".

Users	Back office code	Loss limit
MANAGER		0
Group A		
Group B		
Group C		
Group D		
Group E		
Group F		
Group G		

Figure 2-3 Users window

- 2 Double-click a group or user to view the properties of the group or user.
- 3 Select the **Collateral Management** tab.
- 4 Set the user rights for collateral management. See *Collateral Management User Rights on page 22*.
- 5 Save the changes. Exit the **Users** window.

Chapter 3 Conventions

This chapter describes collateral management conventions.

The chapter describes the following:

- *Using Conventions on page 27*
 - *Viewing Collateral Conventions on page 28*
 - *Creating Collateral Conventions on page 29*
 - *Deleting Collateral Conventions on page 29*
 - *Auditing Collateral Conventions on page 29*
- *Collateral Convention Groups on page 31*
 - *Creating Collateral Convention Groups on page 31*
 - *Linking Conventions With Instruments on page 32*
 - *Viewing Instrument-Convention Links on page 33*
 - *Creating Instrument-Convention Links on page 34*
 - *Deleting Instrument-Convention Links on page 35*
 - *Auditing Convention Selector on page 35*
 - *Assigning a Collateral Convention to an Instrument on page 35*
- *Collateral Indicators on page 36*
 - *Collateral Indicator of an Example Stock Loan Deal on page 37*

Using Conventions

The convention consolidates the elements of collateral management in RISQUE, as shown in figure 1-2.

You can link an instrument by manually assigning it to a convention, or automatically assigning it using the Convention Selector. When you create a deal on an instrument, RISQUE links the instrument to a collateral agreement through the convention, entity, and counterparty.

This section describes the following:

- *Viewing Collateral Conventions on page 28*
- *Creating Collateral Conventions on page 29*
- *Deleting Collateral Conventions on page 29*
- *Auditing Collateral Conventions on page 29*

Viewing Collateral Conventions

To view collateral management conventions, do the following:

- 1 From the **Collateral Management** menu, select **Conventions**.
The **Collateral Conventions** window is displayed.

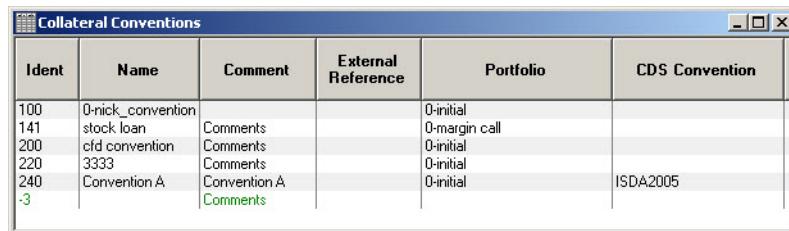


Figure 3-1 Collateral conventions window

Table 3-1 describes the columns of the **Collateral Conventions** window:

Table 3-1 Columns in the Collateral Conventions Window

Name	Description
Ident	A unique identifier that the system assigns to the convention when it is created.
Name	The name of the convention.
Comments	A description of the convention.
External Reference	An external reference for the convention. For example, 'ISDA', when the convention is based on recommendation by the International Swaps and Derivatives Association.
Portfolio	The name of a portfolio within the collateral portfolio. For more information, see <i>Creating the Collateral Portfolio on page 20</i> .
CDS Conventions	Allows you to specify a DTCC-compliant convention for credit default swaps, and is used as one of the criteria to determine whether a transaction is DTCC compliant. For more information on DTCC, see the <i>Back Office User Guide</i> .

Creating Collateral Conventions

Important

Before creating the first convention, the Collateral Portfolio must contain as least one sub-portfolio.

To create collateral conventions, do the following:

- 1 From the **Collateral Management** menu, select **Conventions**.

The **Collateral Conventions** window is displayed. See *Viewing Collateral Conventions on page 28*.

- 2 Double-click the last line in the list.
- 3 Complete the details for the new convention.
- 4 Click the **Save** button in the main window toolbar.

The convention is saved in the list.

Deleting Collateral Conventions

To delete collateral conventions, do the following:

- 1 Select the convention in the Collateral Conventions window.
- 2 Click the **Delete** button in the main window toolbar.
The deleted convention is displayed with a red line through it.
- 3 Click the **Save** button in the main window toolbar.
The deleted convention is removed from the window.

Auditing Collateral Conventions

To audit collateral conventions, do the following:

- 1 Select the convention in the **Collateral Conventions** window.
- 2 Click the **History** command on the **Audit** menu.
The **History for Collateral Convention** window is displayed.

Figure 3-2 displays the **History for Collateral Convention** window:

History For Collateral Conventions [Convention A]									
State	User	Date	Time	Name	Comments	External Reference	Portfolio	CDS Convention	
Update	MANAGER	08/09/2009	11:49	Convention A	Convention A		0-initial	...	
Insertion	MANAGER	25/08/2009	10:54	Convention A	Comments		0-initial	...	

Figure 3-2 Collateral management audit history window

Each line in the History for Collateral Convention window represents the insertion or modification of a convention. The topmost line describes the most recent event.

The **History for Collateral Conventions** window has the following columns:

Table 3-2 Columns in the History for Collateral Conventions window

Name	Description
State	The type of event: <ul style="list-style-type: none"> • Insertion—A new convention was created. • Update—A convention was modified.
User	The username of the user that initiated the event.
Date	The date that the event took place.
Time	The time that the event took place.
Name	Name of the convention.
Comments	Comments from the event.
External Reference	An external reference for the convention.
Portfolio	The name of a portfolio within the collateral portfolio.
CDS Convention	Displays the CDS convention that you can define in the Collateral Conventions window. For more information, see <i>Viewing Collateral Conventions on page 28</i> .

Warning Message when Accessing Collateral Conventions

If you open the Collateral Conventions window and RISQUE displays a “COLLAT_FOLIO not set in RISKPREF” warning message then no collateral portfolio has been specified in the RISKPREF table. See *Creating the Collateral Portfolio on page 20*.

Collateral Convention Groups

The **Collateral Convention Group Selector** allows you to group conventions together to create an agreement that can handle more than one type of instrument, as shown in figure 3-3.

For example, if a stock loan convention and a repo convention have been grouped together to form a new convention, this convention can handle both stock loans and repos.



Figure 3-3 Collateral Conventions Group Selector dialog

The **Collateral Convention Group Selector** has the following columns:

Table 3-3 Columns in the Collateral Convention Group Selector

Name	Description
Counterparty	The counterparty of the convention.
Entity	The entity of the convention
Old convention	The name of the convention that you want to add to the convention group. The convention group is specified in the New convention column.
New convention	The name of the convention that will contain the individual conventions that you want to group together.
Condition1	Conditions can be added using the Toolkit.
Condition2	The condition returns 'false' if the instrument is of the same type specified in the condition.
Condition3	

Creating Collateral Convention Groups

To create collateral convention groups, do the following:

- 1 Click the **Convention Group Selector** command on the **Collateral Mgt** menu.
The **Collateral Convention Group Selector** window is displayed.
- 2 Click the **New** button.

- 3 For each single convention that you want to group, complete the details for each column of the line.

For example, if you want to group 3 conventions, you would create three new lines, one for each single convention.

Note

The name of the new convention group is specified in the **New convention** column. The **Old convention** column should contain the name of the single convention that you are adding to the group.

Important

All conventions that you want to group together must have the same convention name in the **New convention** column.

- 4 Click the **Save** button in the main window toolbar.

The conventions are saved in the list.

Linking Conventions With Instruments

When the instrument's parameters match selection criteria in the Collateral Convention Selector, the instrument is automatically linked to the specified Convention. The selection criteria include: the allotment, currency and market of the instrument, and the allotment, currency, and market of the underlying, and additional conditions.

You can also manually link an instrument to a convention. See *Assigning a Collateral Convention to an Instrument on page 35*.

When the system checks the credit risk for an agreement, it extracts the deals on instruments that are linked to the convention in the agreement and subsequently calculates the Market-to-Market (MtM) value of those deals. The resulting value is contributes to the total risk exposure for the agreement. See *Credit Risk Calculation and Management on page 81* for more details.

This section describes the following:

- *Viewing Instrument-Convention Links on page 33*
- *Creating Instrument-Convention Links on page 34*
- *Deleting Instrument-Convention Links on page 35*
- *Auditing Convention Selector on page 35*
- *Assigning a Collateral Convention to an Instrument on page 35*

Viewing Instrument-Convention Links

To view the instrument-convention links in the Convention Selector, do the following:

- 1 Click the **Convention Selector** command on the **Collateral Management** menu.

The **Collateral Convention Selector** window is displayed, as shown in figure 3-4:

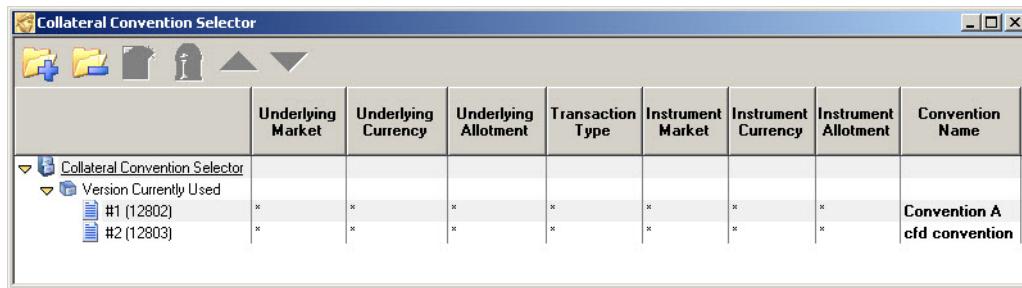


Figure 3-4 Collateral Convention Selector window

Each line represents a link between instruments and conventions and they are listed in order of priority (#N).

The system checks the criteria of each line, starting at the top of the list and ending when the criteria are met. The details of the instrument must match the criteria of the instrument-convention link for that convention to be applied to the instrument.

The **Collateral Convention Selector** window has the following columns, which are listed in table 3-4 in alphabetical order:

Table 3-4 Columns in the Collateral Convention Selector (Sheet 1 of 2)

Name	Description
Instrument Allotment	The allotment that the instrument belongs to.
Condition1	Conditions that can be added using the Toolkit.
Condition2	The available options are: <ul style="list-style-type: none"> • Is Contract For Differences • Is Repo. • Is Loan On Stock. • No Condition.
Condition3	These options correspond to the Type field of the Contract For Difference , Repo , and Loan on Stock windows. The condition returns 'false' if the instrument is of the same type specified in the condition.
Convention Name	The name of the Collateral Convention.

Table 3-4 Columns in the Collateral Convention Selector (Sheet 2 of 2)

Name	Description
Instrument Currency	The currency of the instrument.
Instrument Market	The market of the instrument.
Transaction Type	For DTCC conventions, allows you to specify a transaction type. This type must match the transaction type selected in the Issuer dialog.
Underlying Allotment	The allotment of the underlying instrument.
Underlying Currency	The currency of the underlying instrument.
Underlying Market	The market of the underlying instrument.

Creating Instrument-Convention Links

This section provides instructions for automatically assigning an instrument to a convention based on its allotment. For information on manually assigning a convention to an instrument, see *Assigning a Collateral Convention to an Instrument on page 35*.

To create instrument-convention links, do the following:

- 1 Click the **Convention Selector** command on the **Collateral Management** menu.
The **Convention Selector** window is displayed. See *Viewing Instrument-Convention Links on page 33*.
- 2 Click the **New** button in the window toolbar.
A new line is displayed at the end of the list.
- 3 Define the criteria for the instrument-convention link.
- 4 Change the priority position of a line in the list. Select the line and use the **Priority Up** and **Priority Down** buttons.
- 5 Press **Ctrl+S** to save the changes.

Deleting Instrument-Convention Links

To delete instrument-convention links, do the following:

- 1 Select the workflow line from the list.
- 2 Click the **Delete** button in the window toolbar.
A dialog box appears requesting you to confirm the deletion.
- 3 Click **OK**.

Auditing Convention Selector

To audit convention selections, do the following:

- 1 Select **Collateral Convention Selector** in the **Convention Selector** window.
- 2 Click the **History** command on the **Audit** menu.

The **History of Collateral Convention Selector** window is displayed:

The screenshot shows a Windows application window titled "Collateral Convention Selector". The window has a toolbar with icons for file operations and a tree view on the left. The main area contains a table with the following columns: Underlying Market, Underlying Currency, Underlying Allotment, Transaction Type, Instrument Market, Instrument Currency, Instrument Allotment, and Convention Name. The table displays two rows under a section titled "Version Currently Used". The first row corresponds to "#1 (12802)" and the second to "#2 (12803)". The "Convention Name" column for both rows contains the text "Convention A cfd convention". The table uses a light gray background with white borders for the cells. The text in the table is black, except for the "Convention Name" which is blue.

	Underlying Market	Underlying Currency	Underlying Allotment	Transaction Type	Instrument Market	Instrument Currency	Instrument Allotment	Convention Name
▼ Collateral Convention Selector								
▼ Version Currently Used	x	x	x	x	x	x	x	Convention A cfdf convention
#1 (12802)	x	x	x	x	x	x	x	
#2 (12803)	x	x	x	x	x	x	x	

Figure 3-5 History of Collateral Convention Selector window

Modified data is displayed in red font, unmodified data is shown in black font and new lines are shown in blue font.

Assigning a Collateral Convention to an Instrument

Collateral conventions are assigned to instruments in the **Collateral Convention Selector** window. See *Creating Instrument-Convention Links* on page 34.

However, you can also assign a convention to specific instruments by editing their convention value in the **General List** window in RISQUE.

Note

Stock loans that have been created using a template cannot be edited in the **General List** window. These stock loans will have read-only fields highlighted in yellow when opened from the **General List** window.

To assign a collateral convention to specific instruments:

- From the **Instruments** menu, select **General List**.

The **General List** window is displayed, showing the instruments that exist in the database.

Note By default, RISQUE does not display the instruments' conventions in the **General List** window.

- Double-click the instrument to view the convention that the Convention Selector has automatically assigned to the instrument.
- Alternatively, click **[Default Value]** in the **Convention** column, and select a convention to assign to the instrument. Press **Ctrl+S** to save the changes.

Collateral Indicators

Collateral Indicators allow you to specify filters for the Limits Calculations. The **Collateral Indicators** window is available from the **Collateral Management** menu.

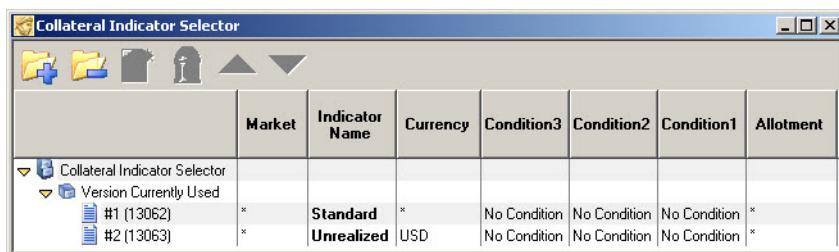


Figure 3-6 Collateral Indicator Selector window

These filters are based on the following key:

- Currency
- Allotment
- Market

The Indicator Names are a set of predefined calculations for the Limits Calculation.

Indicators are used to calculate the asset value. The basic formula is:

$$\text{Value} = \text{priceToUse} * \text{quantity}$$

where *priceToUse* is the price of the asset, and *quantity* is the quantity of the asset, multiplied by the quantity.

The *priceToUse* value is affected by whether the price is "clean" or "dirty", and also by the *AssetValueType*. The *AssetValueType* determines whether *priceToUse* is "with coupon", meaning that the price is taken from the corresponding position as is, or if

the price must be subtracted by the average price on position (unrealized). The *quantity* can be taken for the settlement date or the trade date. You can also use a Global Preference to determine which date is used.

Table 3-5 describes the pre-defined indicators that are available, but it is possible to add indicators using the Toolkit.

Table 3-5 Pre-defined Indicators

Indicator	Price	Date	AssetValueType
Standard	N/A	Taken from Global Preference	default Note: The default value depends on the instrument type.
Clean Asset With Pref	clean	Taken from Global Preference	with coupon
Dirty Asset With Pref	dirty	Taken from Global Preference	with coupon
Clean Asset In Trade	clean	Trade Date	with coupon
Dirty Asset In Trade	dirty	Trade Date	with coupon
Clean Asset In Settlement	clean	Settlement Date	with coupon
Dirty Asset In Settlement	dirty	Settlement Date	with coupon
Unrealized	N/A	Taken from Global Preference	unrealized
0	N/A	N/A	null

The Indicator Names "with Pref" rely on the setting of a Global Preference from the RISKPREF table, UseLocalPrefForLimit. If this is set to 0, the End of Day preferences are used. If it is set to 1, the local File Preferences are used. For more information on the Global Preferences, see the *Administration Guide*.

The particular preference used is the **Limits Calculation Date Type** in the **Stock Loan** tab.

Collateral Indicator of an Example Stock Loan Deal

The following example illustrates how the collateral indicator works.

Suppose you lend 1,000 Share1 shares at EUR 10. The total cash you receive as collateral is EUR 10,000 as displayed in figure 3-7:

The screenshot shows the 'Stock loan input' dialog box with the following details:

LOAN OR REPO CHARACTERISTICS

- Operation Name: Open SHAR Counterparty A 7.20
- Model: Stock Loan
- Lending: Real
- Principal Ref.: SHARE 1
- Composition: Inverse H&H
- Principal Ccy: EUR
- Hedging: 100.00
- Principal Spot / EUR: 10.0000
- Collateralised Spot / EUR: 10.0000
- Nb of Securities: 1,000
- Allotment: Share
- Payment Date: [empty]
- Convention: Convention A
- Distributed Rate: 100.000000
- Start Date: 07/09/2009
- Delivery: Relit
- Maturity: [empty]
- PnL Pricing: Use p&l Pref
- Dividend: 01/10/2009 123.000000

CALLABLE LOAN

- Type: Without notice

COMMISSION

- Type: Fixed Price
- Calc. Basis: Actual/360
- Billing Frequency: Final
- Rate: 7.200000
- Minimum: 0.00
- Billing Currency: USD

COLLATERAL

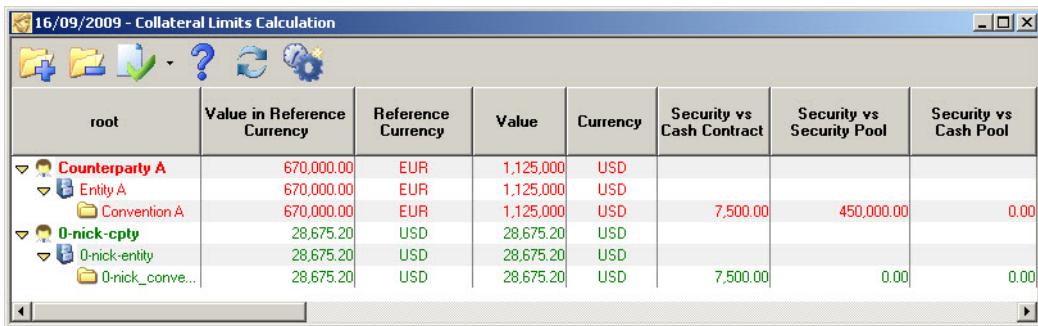
- Type: Cash
- Rate/Spread: XXX
- 3.60
- Currency: EUR
- Pricing Type: Per Contract
- Haircut: 100.00

TRADE PARTIES

Trade Date	07/09/2009	Time	13:43:27	Payment Date	07/09/2009	BO Status	No Status
Counterparty 1	Counterparty A					Portfolio: Krisz2	
Entity	Entity A					Operator: MANAGER	
Broker	XXX			Amount: EUR	10,000.00	Coll. Amount: EUR	10,000.00
Depository	XXX			Comm. Amount: USD	0.00	Final Amount: EUR	10,000.00
Depository Of Counterparty	XXX			Broker Fees: 0.00		BO Workflow: SOPHIS STANDARD WF	
SM/DT	XXX			Counterparty Fees: 0.00			
Payment Method	XXX			Market Fees: 0.00			
Remarks				Ticket ID: (98765432)	<input type="button" value="New deal pending"/> <input type="button" value="New deal accept"/>		
FO Remarks							
BO Remarks					<input type="button" value="Cancel"/>		

Figure 3-7 An example stock loan deal

The **Value** field of the **Collateral Limits Calculation** window shows the total value of the collateral as shown in figure 3-8. The reason for showing 16,500 instead of 10,000 is that the billing currency of the stock loan deal was set to USD and the forex rate between Euro and US Dollar is 1.65. Therefore, in this case the total collateral value is shown in the **Value in Reference Currency** column.



The screenshot shows a software window titled "16/09/2009 - Collateral Limits Calculation". The window has a toolbar with icons for file operations and help. Below the toolbar is a tree view of collateral items:

- root
 - Counterparty A
 - Entity A
 - Convention A
 - 0-nick-cpty
 - 0-nick-entity
 - 0-nick_conve...

Below the tree view is a grid table with columns: root, Value in Reference Currency, Reference Currency, Value, Currency, Security vs Cash Contract, Security vs Security Pool, and Security vs Cash Pool. The data from the tree view is mapped into this grid:

root	Value in Reference Currency	Reference Currency	Value	Currency	Security vs Cash Contract	Security vs Security Pool	Security vs Cash Pool
Counterparty A	670,000.00	EUR	1,125,000	USD			
Entity A	670,000.00	EUR	1,125,000	USD			
Convention A	670,000.00	EUR	1,125,000	USD	7,500.00	450,000.00	0.00
0-nick-cpty	28,675.20	USD	28,675.20	USD			
0-nick-entity	28,675.20	USD	28,675.20	USD			
0-nick_conve...	28,675.20	USD	28,675.20	USD	7,500.00	0.00	0.00

Figure 3-8 The Collateral Limits Calculation window

The value shown in the **Collateral Limits Calculation** window depends on the indicator that you select in the **Collateral Indication Selector** window. See *Collateral Indicators* on page 36 for details.

The value also depends on the general stock loan settings of RISQUE that you can find on the **Limits Calculation Date Type** drop-down list in the **Stock loan** tab of the **Preferences** window. Whichever collateral indicator you want to use, you must ensure the indicator and the date type are set according to table 3-5. Otherwise, the collateral limits are calculated as zero.

Chapter 4 Agreements

This chapter describes the procedures required for configuring collateral management. The chapter contains the following:

- *Collateral Management Agreements on page 42*
- *Collateral Management Agreements Window on page 42*
 - *Toolbar of the Collateral Management Agreements Window on page 43*
 - *Active Filters Frame on page 44*
 - *Columns in the Collateral Management Agreements Window on page 45*
- *Working With Collateral Agreements on page 45*
 - *Viewing Collateral Agreements on page 46*
 - *Applying Filters to Collateral Management Agreements on page 46*
 - *Creating Collateral Agreements on page 47*
 - *Modifying Collateral Agreements on page 48*
 - *Duplicating Collateral Agreements on page 49*
 - *Deleting Collateral Agreements on page 50*
 - *Auditing Collateral Agreements and Parameters on page 50*
 - *Viewing Collateral Agreements from Third Window on page 52*
- *Collateral Agreement Parameters on page 53*
 - *The General Tab on page 54*
 - *The Credit Risk Calculation Tab on page 56*
 - *The Margin Call Tab on page 59*
 - *The Collateral Stocks Tab on page 61*
 - *The Principal Stocks Tab on page 65*
 - *The Fees and Interest Tab on page 69*
 - *The Collateral Call Tab on page 73*
 - *The Threshold Tab on page 74*
 - *Fee Marks on page 76*

Collateral Management Agreements

A collateral agreement is an agreement that is made between a borrower and lender to describe the conditions under which the loan occurs and how the collateral guarantee for the loan is managed. Collateral agreements are defined in the **Collateral Management Agreements** window in RISQUE.

The agreement consists of a counterparty, entity and convention, together with details about the conditions under which the agreement applies. For example, it includes the start and end dates of the agreement, whether a third party (tri-party) is involved, nature of the collateral assets.

Credit risk is calculated for each combination of counterparty, entity, and convention. When RISQUE calculates the credit risk, it uses the hedging and haircut percentages to adjust the principal and collateral values. For more information, see *Collateral Agreement Parameters on page 53*.

User Rights for Collateral Management Agreements are described in the section, *Collateral Management User Rights on page 22*.

Note The Advanced Stock Loan Module ensures that deals on stock loans, repos and CFDs comply with the parameters set out in the Collateral Agreements. For more information, see *Collateral Management User Rights on page 22*.

Collateral Management Agreements Window

This section describes the following:

- *Toolbar of the Collateral Management Agreements Window on page 43*
- *Active Filters Frame on page 44*
- *Columns in the Collateral Management Agreements Window on page 45*

Figure 4-1 shows the **Collateral Management Agreements** window:

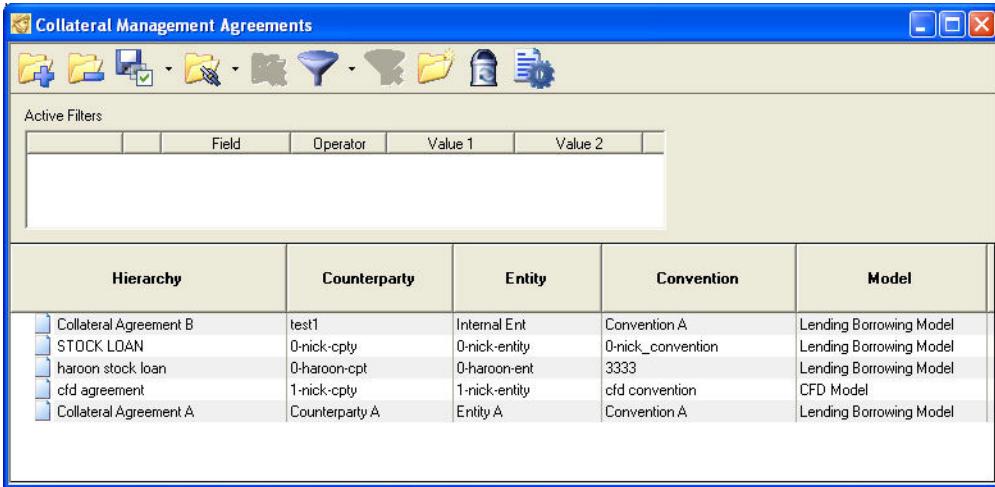


Figure 4-1 Collateral Management Agreements window

Toolbar of the Collateral Management Agreements Window

Table 4-1 describes the buttons in the toolbar of the **Collateral Management Agreements** window:

Table 4-1 Buttons in the Collateral Management Agreements Window (Sheet 1 of 2)

Button	Name	Description
	Expand	Expands the view of the deals in the blotter window.
	Collapse	Collapses the view of the deals in the blotter window.
	Configuration Management	Opens a drop-down menu allowing you to save, load or delete the configuration (Group by and Filter by) of the blotter.
	Group By	Opens a drop-down menu of parameters for deals. Select a parameter by which to group the entries in the blotter. To select an alternative parameter, remove the grouping and then select the alternative parameter.
	Do Not Group	Removes the Grouping by a deal parameter.

Table 4-1 Buttons in the Collateral Management Agreements Window (Sheet 2 of 2)

Button	Name	Description
	Filter	Opens a drop-down menu of columns by which you can restrict the view in the blotter window. Select a parameter to define a criteria for the parameter. Only entries that match the specified criteria are shown in the blotter window. Active filters appear in the Active Filter window.
	Unfiltered	Removes all filters.
	Create a New Agreement	Opens the New Agreement dialog, which enables you to create a new agreement.
	Delete	Deletes the selected agreement.
	Limits Calculation on Agreements Shown	Runs a limits calculation on all agreements displayed in the window.

Active Filters Frame

Figure 4-2 shows the **Active Filters** frame:

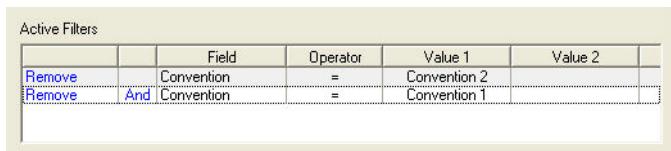


Figure 4-2 Active Filters frame

Table 4-2 describes the columns in the **Active Filters** frame:

Table 4-2 Columns in the Active Filters Frame

Name	Description
Field	Specifies the filter type.

Table 4-2 Columns in the Active Filters Frame

Name	Description
Operator	The query operator of the filter: • = • < • <= • > • >= • <> • range • like
Value 1	Criteria of the filter.
Value 2	Second criteria for ranges, between first and second values, such as dates.

Columns in the Collateral Management Agreements Window

Table 4-3 describes the columns in the **Collateral Management Agreements** window.

Table 4-3 Columns in the Collateral Management Agreements Window

Name	Description
Convention	The convention associated with the collateral agreement.
Counterparty	The counterparty in the collateral agreement.
Entity	The entity in the collateral agreement.
Hierarchy	The hierarchy of the listed agreements. This changes depending on filter criteria.
Model	The model associated with the collateral agreement.

Working With Collateral Agreements

This section describes the following:

- *Viewing Collateral Agreements on page 46*
- *Applying Filters to Collateral Management Agreements on page 46*
- *Creating Collateral Agreements on page 47*
- *Modifying Collateral Agreements on page 48*
- *Duplicating Collateral Agreements on page 49*
- *Deleting Collateral Agreements on page 50*

- *Auditing Collateral Agreements and Parameters on page 50*
- *Viewing Collateral Agreements from Third Window on page 52*

Viewing Collateral Agreements

To view collateral management agreements, do the following:

- 1 From the **Collateral Management** menu, select **Agreements**.

The **Collateral Management Agreements** window is displayed, as shown in figure 4-1.

Note

You can also view the collateral management agreements from the context menu of the **Third** window as described in *Viewing Collateral Agreements from Third Window on page 52*.

Agreements that are displayed in *italics* are not yet valid (for example, the Begin date is still in the future, or parameter settings are incomplete).

You can sort the agreements by column name by clicking on corresponding column header. Table 4-3 describes the columns of the **Collateral Management Agreements** window.

- 2 Double-click an agreement to view the agreement parameters.

The **Collateral Management Parameters** window is displayed. For more information, see *Collateral Agreement Parameters on page 53*.

You can view a summary for a given agreement by right-clicking the agreement and selecting **Stock Loan and Repo Mgt**. This displays the Stock Loan and Repo Mgt window which is part of the Advanced Stock Loan module. For more information about the window, see *Stock Loan and Repo Mgt Window on page 93*.

Applying Filters to Collateral Management Agreements

To filter collateral management agreements, do the following:

- 1 Click the **Filter** button on the **Collateral Management Agreements** toolbar.
A list of filter options is displayed.

- 2 Click on a filter option from the list.

A dialog which defines the chosen filter is displayed. For instance, if you select **Entity**, a dialog is displayed which allows you to enter the specific entity or range of entities you want listed in the **Collateral Management Agreements** window, as shown in figure 4-3.



Figure 4-3 Entity Filter dialog

- 3 Click **OK**.
- 4 The results in the **Security Log** window are updated, and the **Active Filters** frame displays the details of the filter.

Removing a Filter

To remove a filter from the **Active Filters** frame, click the **Remove** next to the corresponding filter.

To remove all filters, click the **Unfilter** button in the **Collateral Management Agreements** window toolbar.

Creating Collateral Agreements

To create collateral agreements, do the following:

- 1 From the **Collateral Management** menu, select **Agreements**.

The **Collateral Management Agreements** window is displayed. See *Collateral Agreement Parameters on page 53*.

- 2 Click **Ctrl+N** or click the **Create a New Agreement** button in the toolbar.

The **New Agreement** window is displayed:

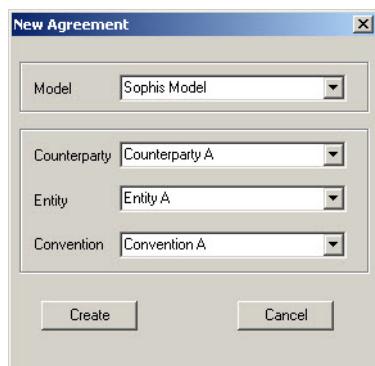


Figure 4-4 New Agreement window

- 3 Select a counterparty, entity, and convention.

Important

The combination of counterparty, entity, and convention must be unique. If an agreement with the selected parameters already exists, the old agreement is modified.

- 4 Click **Create**.

The **Collateral Management Parameters** window is displayed.

If the combination of counterparty, entity, and convention was not unique, the system displays the parameters of the existing agreement.

- 5 Complete the tabs to specify the parameters for the agreements. See *Collateral Agreement Parameters on page 53*.
- 6 Press **Ctrl+S** to save the changes.
- 7 Close the **Collateral Management Parameters** window.

Modifying Collateral Agreements

You can modify the parameters of an agreement.

Note

You cannot modify the entity, counterparty, or convention of an agreement.

To modify collateral agreements parameters, do the following:

- 1 Click the **Agreements** command on the **Collateral Management** menu.
The **Collateral Management Agreements** window is displayed. See *Collateral Agreement Parameters on page 53*.
- 2 Double-click a line in the **Collateral Management Agreements** window.
The **Collateral Management Parameters** window is displayed. See *Collateral Agreement Parameters on page 53*.
- 3 Complete the required modifications.
- 4 Press **Ctrl+S** to save the changes.

Duplicating Collateral Agreements

You can duplicate an agreement and save it with a new counterparty, entity, convention, and name. This new agreement will duplicate all the parameters specified for the original agreement in the **Agreements** dialog.

To duplicate an agreement, do the following:

- 1 Click the **Agreements** command on the **Collateral Management** menu.
The **Collateral Management Agreements** window is displayed.
- 2 Right-click the agreement that you want to duplicate. Select **Save as**.
The **Collateral Agreement Save As** dialog is displayed
- 3 Specify the counterparty, entity, convention and name for the new agreement in the **New Agreement** frame.

Table 4-4 describes the fields in **The Collateral Agreement Save As** dialog.

Note

Only the fields in the **New Agreement** frame can be edited.

Figure 4-5 shows the **Collateral Agreement Save As** dialog:

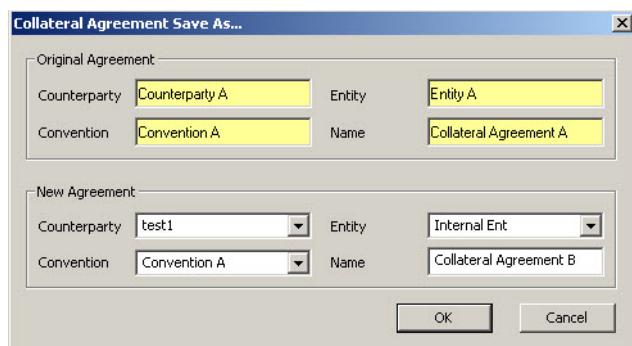


Figure 4-5 Collateral Agreement Save As dialog

Table 4-4 shows the elements of the **Collateral Agreement Save As** dialog:

Table 4-4 Fields in the Collateral Agreement Save As Dialog

Name	Description
Counterparty	The counterparty of the new agreement.
Convention	The convention of the new agreement.
Entity	The entity of the new agreement.
Name	The name of the new agreement.

Deleting Collateral Agreements

To delete collateral agreements, do the following:

- 1 Select the convention in the **Collateral Management Agreements** window.
- 2 Click **Ctrl+U** or click the **Delete** button in the toolbar.
A dialog box is displayed requesting you to confirm the deletion.
- 3 Click **OK**.

Auditing Collateral Agreements and Parameters

To audit collateral agreements and their parameters, do the following:

- 1 Select the agreement in the **Collateral Management Agreements** window.
- 2 Select **History** from the **Audit** menu.

Figure 4-6 shows the **Collateral Management Audit History** window:

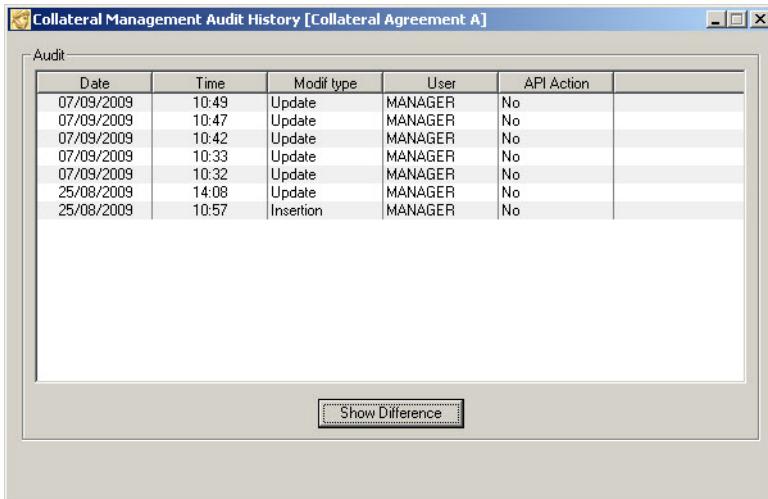


Figure 4-6 Collateral Management Audit History window

Each line in the **Collateral Management Audit History** window represents the insertion or modification of a parameter. The topmost line describes the most recent event.

The **Collateral Management Audit History** window has the following columns:

Table 4-5 Columns in the Collateral Management Audit History Window

Name	Description
Modif type	The type of event: <ul style="list-style-type: none"> • Insertion — a new convention was created. • Update — a convention was modified.
Date	The date that the event took place.
Time	The time that the event took place.
User	The username of the user that initiated the event.
API Action	An indicator of whether or not the modification was made by a Toolkit action.

Viewing Modified Versions of Collateral Agreements

To view modified versions of collateral agreements:

- 1 In the **Collateral Management Audit History** window, select the two modifications that you wish to compare.
- 2 Click **Show Difference**.

The **Audit Difference** window is displayed.

Figure 4-7 shows the **Audit Difference** window:

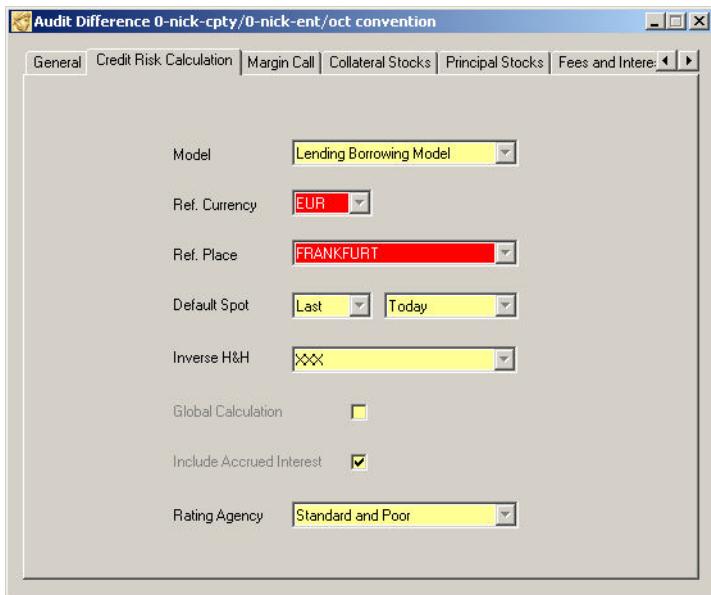


Figure 4-7 Audit Difference window

When a difference exists, the latest parameter value is displayed on a red background. When no differences exist the selected modifications, the parameter values are displayed on a yellow background.

Viewing Collateral Agreements from Third Window

You can access the **Collateral Management Agreements** window from the Third window.

To view collateral management agreements, do the following:

- 1 Click the **Third Parties** command from the **Data** menu.

The **Third** window is displayed, as shown in figure 4-8:

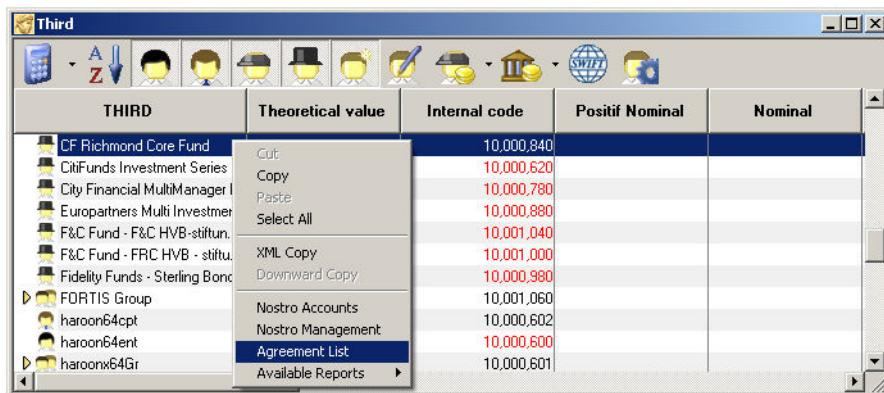


Figure 4-8 Third window

- 2 Right-click the third party whose collateral agreements you want to view.

- 3 Select **Agreement List**.

The **Collateral Management Agreements** window is displayed showing the agreements that the third party is included in.

- 4 Double-click an agreement to view the agreement parameters.

The **Collateral Management Parameters** window is displayed. For more information, see *Collateral Agreement Parameters on page 53*.

Collateral Agreement Parameters

For information about accessing the parameters, see *Viewing Collateral Agreements on page 46*. See also *Modifying Collateral Agreements on page 48*.

The **Collateral Management Parameters** window has the following tabs:

Table 4-6 Tabs in the Collateral Management Parameters Window (Sheet 1 of 2)

Tab Name	Description
General	This tab specifies the name, date range and type of collateral agreement. See <i>The General Tab on page 54</i> .
Credit Risk Calculation	This tab specifies the parameters for calculating credit risk, and using the Advanced Stock Loan module. See <i>The Credit Risk Calculation Tab on page 56</i> .
Margin Call	This tab specifies the parameters for performing margin calls. See <i>The Margin Call Tab on page 59</i> .

Table 4-6 Tabs in the Collateral Management Parameters Window (Sheet 2 of 2)

Collateral Stocks	This tab specifies the collateral assets that can be used in margin calls. See <i>The Collateral Stocks Tab on page 61</i> .
Principal Stocks	This tab specifies the principal assets that can be used in loans. See <i>The Principal Stocks Tab on page 65</i> .
Fees and Interest	This tab specifies the principal assets that can be used in loans. See <i>The Fees and Interest Tab on page 69</i> .
Collateral Call	This tab specifies templates and other information needed to create call notices. See <i>Fees Partial Return on page 72</i> .
CFD	This tab specifies the reporting method, whether the agreement is buy- or sell-side, and from which geographical sector the dividend is calculated. For information about enabling and using this tab, see the <i>Advanced CFD User Guide</i> .
Threshold	This tab specifies the threshold limits for the entity and counterparty of an agreement that determine global margin call amounts.

The General Tab

The name, date range, and type of collateral agreement are defined in the **General** tab. Figure 4-9 shows an example of the **General** tab:

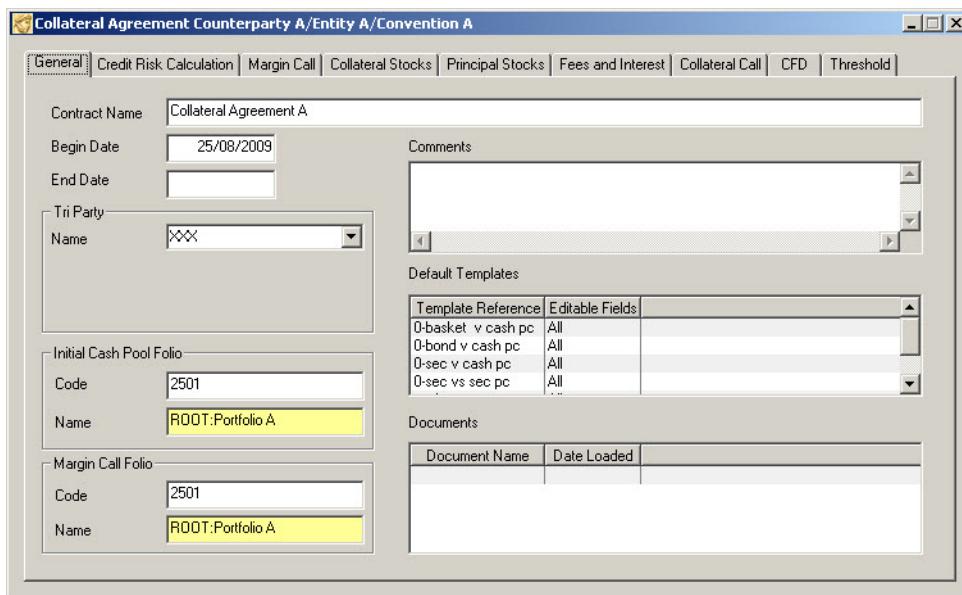


Figure 4-9 Collateral management parameters window - General tab

The **General** tab has the following fields:

Table 4-7 Fields in the General Tab

Name	Description
Contract Name	The name of the collateral agreement. The name is case sensitive. The name must be unique.
Begin Date	The date that the agreement starts on. Note: The agreement becomes valid when the system date is the same as the Begin Date.
End Date	The date that the agreement expires on. You can change this date at any time. When the end date is reached, no more transactions may be made for this agreement.
Tri Party Name	The type of collateral agreement, that is, bi-lateral or tri-party. A tri-party agreement indicates that third parties are involved in the agreement. The available options are: <ul style="list-style-type: none"> • None —a bilateral agreement. • A third party defined in the Third window. For more information about third parties, see the <i>Back Office User Guide</i> . Note: Selecting a tri-party from the drop-down list disables the Margin Call tab of the Collateral Agreements Parameters dialog.
Initial Cash Pool Folio	Allows you to define your collateral portfolio. The frame contains the following fields: <ul style="list-style-type: none"> • Code — the ID of the specified portfolio. • Name — the name of the specified portfolio. You can drag-and-drop a portfolio from the Portfolio window to the Name field.
Margin Call Folio	Allows you to specify a portfolio for margin calls made during the life of a stock loan. <ul style="list-style-type: none"> • Code — the ID of the specified portfolio. • Name — the name of the specified portfolio. You can drag-and-drop a portfolio from the Portfolio window to the Name field.
Comments	Comments.
Documents	Allows you to load and display a list of documents to be associated with the agreement. For more information, see <i>Collateral Agreement Documents on page 56</i> .

Collateral Agreement Documents

You can create custom documents in the **Collateral Agreements** dialog in the **General** tab. It displays the list of documents associated with the agreement.

Table 4-8 Columns in the Documents Frame

Column Name	Description
Document Name	The document file name.
Date Loaded	The date when the document was added to the list of documents in the agreement.

New documents can be loaded by double-clicking an empty row in the **Documents** list. Choose a file from the **File Open** dialog, and that file is added to the list.

To delete a document, select it and press Ctrl+U.

To open a document, double-click that document in the list.

The Credit Risk Calculation Tab

The parameters for calculating credit risk and selecting the Advanced Stock Loan Module are defined in the **Credit Risk Calculation** tab, as shown in figure 4-10:

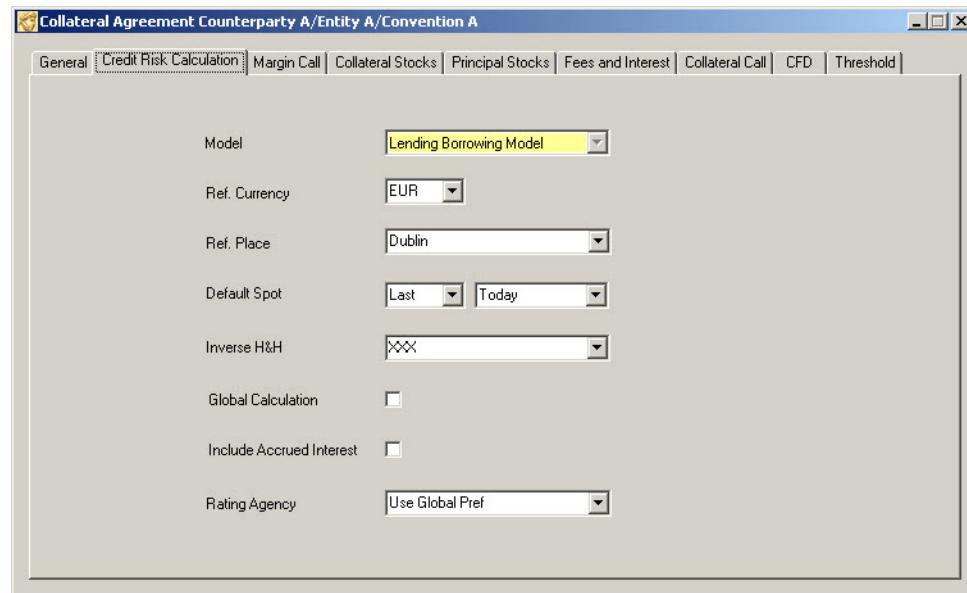


Figure 4-10 Collateral management parameters window - Credit Risk Calculation tab

The **Credit Risk Calculation** tab has the following fields.

Table 4-9 Fields in the Credit Risk Calculation Tab (Sheet 1 of 2)

Name	Description
Model	<p>The model that RISQUE uses to process the Stock Loan or Repo.</p> <p>The available options are:</p> <ul style="list-style-type: none"> Lending and Borrowing Model — the principles and functions of the Advanced Stock Loan module are applied when processing the Stock Loan or Repo, and users can access the Stock Loan and Repo Mgt window. See <i>Stock Loan and Repo Mgt Window</i> on page 93. Sophis Model — the Stock Loan or Repo is processed using the Collateral Management module. <p>You can add more options using the Toolkit.</p>
Ref. Currency	<p>The code of the Reference Currency for the Collateral Agreement. All credit risk calculations are performed using this currency.</p> <p>If the billing currency (as defined in the instrument) is different from the Reference currency, a forex is applied daily using the forex rate defined in the Reference Place. For example, when the underlying of a Stock Loan is in EUR, but the Ref. Currency is USD, a forex is required for calculating the credit risk exposure for the counterparty.</p> <p>The forex rate to be applied on a given day for a Reference Place is defined in the overseas exchange rate table for the current day.</p> <p>The available options are the codes of the currencies that are defined in the Currencies window.</p> <p>Note: For CFD agreements, this field is mandatory. If no currency is specified, a warning message is displayed upon saving the agreement.</p>
Ref. Place	<p>The Place to pick up forex spots when a Forex is required when calculating the credit risk exposure.</p> <p>Note: It is not used in the Ticket window.</p> <p>The available options are those places defined in the Currencies window.</p>
Default Spot	<p>The default spot to use during credit risk calculations.</p> <p>The available options are the Last, Open, High or Low price for either yesterday or today. You can add more options using the Toolkit.</p> <p>These values are linked to the Historique table.</p>

Table 4-9 Fields in the Credit Risk Calculation Tab (Sheet 2 of 2)

Name	Description
Inverse H&H	Allows you to specify inverse hedging and haircut options. The available options are as follows: <ul style="list-style-type: none"> • Use Global Pref — takes the preference set in INVERSE_HAIR_CUT. • Inverse None — neither hedging nor haircut inversed. • Inverse Haircut — inverses the haircut only. • Inverse Hedging — inverses the hedging only. • Inverse Haircut and Hedging — inverses both hedging and haircut.
Global Calculation	When selected, populates the appropriate fields in pool margin calls with the amount needed to close the counterparty risk.
Include Accrued Interest	When selected, takes the accrued amount of collateral and principal interest into account for credit risk calculation.
Rating Agency	This list is populated by the rating agencies that have been defined in the Rating agencies window. To open this window, choose Ratings from the Data menu. The rating agency that you choose then determines the values in the Maturity and Ratings columns of the Collateral Stocks and Principal Stocks tabs.

The Margin Call Tab

The parameters and rules for performing margin calls and cash pool remuneration payments are defined in the **Margin Call** tab:

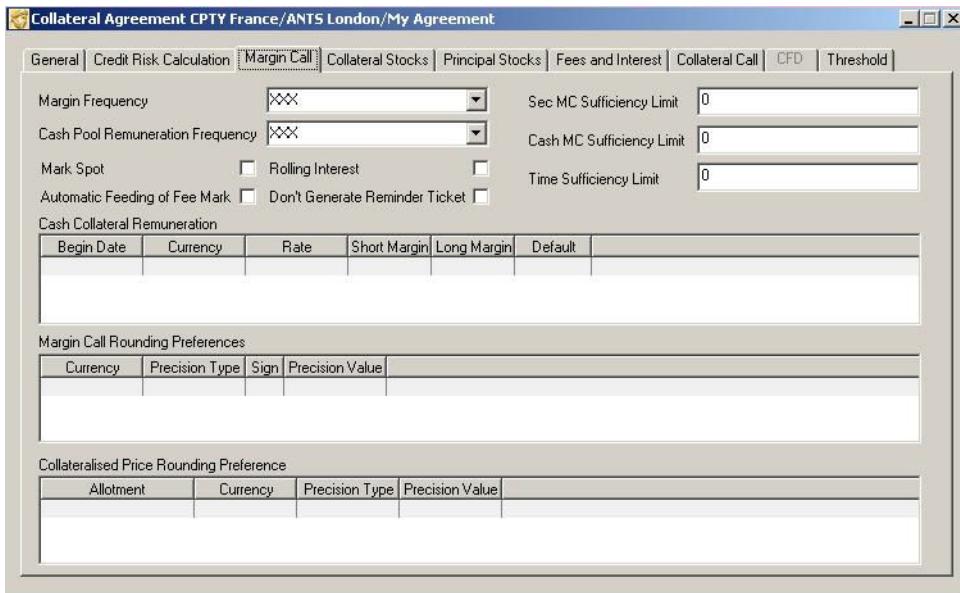


Figure 4-11 Collateral management parameters window - Margin Call tab

The **Margin Call** tab has the following fields.

Table 4-10 Fields in the Margin Call Tab (Sheet 1 of 2)

Name	Description
Margin Frequency	Specifies whether or not to automatically generate margin calls. Date options: None, daily, specific day, nth day in month, etc.
Cash Pool Remuneration Frequency	The billing frequency for automatic remuneration payments on cash in cash collateral pools. The Forecasting function regularly checks this parameter and generates the remuneration ticket at the frequency specified. Payment date options: Daily, specific day, n-th day in month. You can add more options using the Toolkit.
Sec MC Sufficiency Limit	Allows you to specify a limit for the collateral value of a margin call. The margin call is not performed under this limit. The sufficiency limit is enabled if the Sufficiency Check check box is selected in the Securities Margin Call dialog. The sufficiency limit check is disabled if it is set to zero.

Table 4-10 Fields in the Margin Call Tab (Sheet 2 of 2)

Name	Description
Cash MC Sufficiency Limit	Allows you to specify a limit for the collateral value of a margin call. The margin call is not performed under this limit. The sufficiency limit is enabled if the Sufficiency Check check box is selected in the Cash Margin Call dialog. The sufficiency limit check is disabled if it is set to zero.
Time Sufficiency Limit	Allows you to specify how long the sufficiency limit is relevant. The sufficiency limit is enabled if the Sufficiency Check check box is selected in the Securities Margin Call dialog.
Rolling Interest	Selecting this option specifies that accrued interest is paid when a single or global per contract cash margin call or cash pool margin call is performed.
Mark Spot	Allows you to select the Mark Spot check box in the margin call windows if the commission type in a contract is one of the following: <ul style="list-style-type: none"> • Fee Mark • Fixed Price with Revisable Spot If you make a global margin call, and the Mark Spot check box is selected, the mark spot is only applied to the contracts that have Fixed Price with Revisable Spot commission type.
Automatic feeding of Fee Mark	Updates New Fee Mark column of the Fee Mark window for the spot schedule and the collateral agreement with the spot price of the margin call.
Don't Generate Reminder Ticket	Specifies whether or not to generate automatic margin call tickets when the forecast engine is run.
Cash Collateral Remuneration	Specifies the parameters for calculating the remuneration (interest) for cash collateral for the entity's position. For more information, see <i>Cash Collateral Remuneration on page 60</i> .
Margin Call Rounding Preferences	Allows you to specify your rounding preferences for the Cash Margin Calls. For more information, see <i>Margin Call Rounding Preferences on page 61</i> .
Collateralized Price Rounding Preferences	Allows you to specify rounding preferences for the Collateralized Price.

Cash Collateral Remuneration

Table 4-11 specifies the parameters for calculating the remuneration (interest) for cash collateral which is defined for the entity's position.

The list is prioritised by date with the earliest dates having top priority.

For more information about collateral remuneration, see *Collateral Interest Explanation on page 104*.

Table 4-11 Parameters for Cash Remuneration

Name	Description
Begin Date	Begin Date - Margin call tickets with a value date falls on or after the Begin Date are included in interest calculations.
Currency	Currency - The currency of the margin call tickets that will be included in interest calculations.
Rate	Rate - The spread (interest rate). If no rate is specified, the Short and Long Margin rates are applied instead.
Short Margin	Short Margin - The interest rate that the counterparty applies on cash it has provided as collateral.
Long Margin	Long Margin - The interest rate that the entity applies when calculating interest on the cash collateral it has received.
Default	Specifies that the current line is the default currency/rate pair for free cash account transfers.

Margin Call Rounding Preferences

It is possible to specify how the Cash Margin Call values are rounded, in the Rounding Preferences section of the Margin Call tab of the Collateral Agreement dialog. These roundings are performed on a per currency basis. That is, each rounding is associated with a currency.

The possible Precision Types are as follows:

- Real — Use real value (no rounding, default)
- Up — To the higher value, according to defined precision
- Down — To the lower value, according to defined precision
- Nearest — To the nearest value, according to the defined precision

Enter the rounding value you require in the **Precision Type** field. You can also specify a sign for the rounding preference in the **Sign** column.

Note

This setting can be used with both the Collateral Management and the Advanced Stock Loan modules.

The Collateral Stocks Tab

The parameters and rules for selecting collateral assets are defined in the **Collateral Stocks** tab.

Collateral assets include cash, securities, indexes and baskets, and are used in margin calls for adjusting the amount of collateral held by the lender. The parameters and rules that are defined here, affect the options that are available in the Cash and Securities Margin Call windows.

Figure 4-12 shows the **Collateral Stocks** tab:

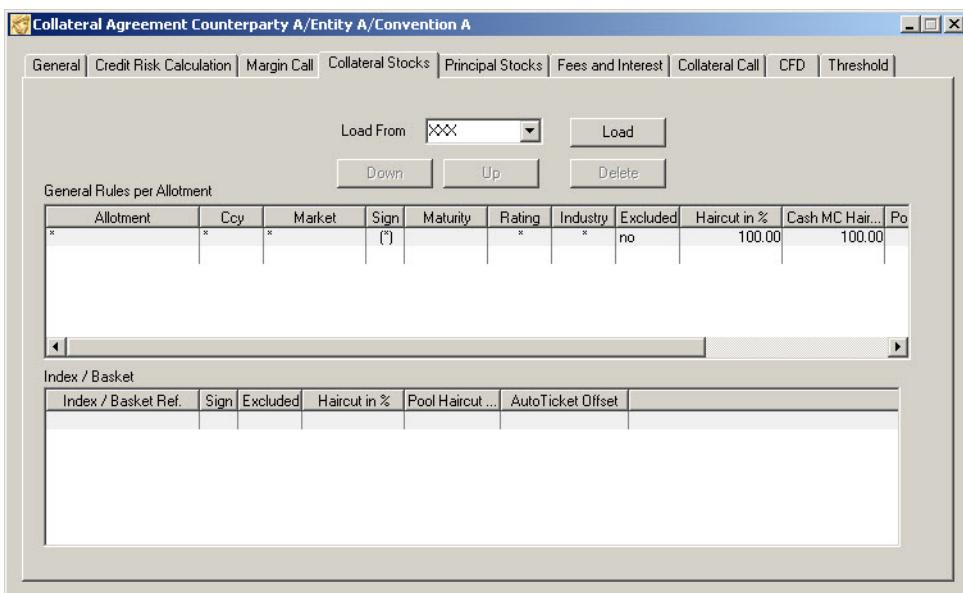


Figure 4-12 Collateral management parameters window - Collateral Stocks tab

You can sort the collateral stock parameters by field name.

The **Collateral Stocks** tab has the following fields:

Table 4-12 Fields in the Collateral Stocks tab (Sheet 1 of 3)

Name	Description
Load From	This option allows you to load Collateral Stocks parameters from another collateral agreement.
General Rules per Allotment	This frame defines the rules that apply to specific allotments when creating a collateral agreement on them.
Allotment	<p>Defines the allotment of assets that can contribute to collateral. Alternatively, you can choose Cash Collateral.</p> <p>The available options:</p> <ul style="list-style-type: none"> • Cash Collateral • Allotments that are defined in the Allotment Table. <p>Select '*' to let assets in every allotment be selected as collateral assets.</p> <p>For more information about allotments, see the <i>Back Office User Guide</i>.</p>
Ccy	The currency of collateral assets.

Table 4-12 Fields in the Collateral Stocks tab (Sheet 2 of 3)

Name	Description
Market	The market of the collateral assets.
Sign	<p>The Sign field specifies the role of the entity, as follows:</p> <ul style="list-style-type: none"> ‘+’ means the entity receives the assets as collateral. ‘-’ means the entity provides the assets as collateral. ‘*’ means the entity receives and provides the assets as collateral. <p>If you enter “+” here, you cannot enter a negative value in the margin call window, and vice versa.</p>
Maturity	Specifies the maturity date of the allotment.
Rating	Specifies the minimum rating of bonds that are accepted as collateral in a collateral deal. To enable this field, you must define a Rating Agency on the Credit Risk Calculation tab.
Industry	Specifies the bond issuer industry for collateral agreements. The list is populated with industry issuers defined in the Issuer Industry List window.
Excluded	<p>Option that determines whether or not an asset may be used as collateral.</p> <p>The options are: yes, no. The default option is ‘no’.</p> <p>When this option is set to ‘yes’, the assets of a given allotment and currency are not allowed to be given or received as collateral.</p> <p>For example, if a share is part of an allotment that is included (that is excluded is set to ‘no’), but that share is included in an index or basket that is excluded, then the share is also excluded.</p>
Haircut in %	<p>The haircut percentage by which to modify the value of the collateral for credit risk calculations. It is used for initial deals and collateral substitution.</p> <p>The percentage must reflect the volatility of the assets. See <i>Haircuts on page 16</i>.</p> <p>The maximum haircut is 150%.</p>
Cash MC Haircut in %	The haircut value in percent for cash margin calls for security vs cash per contract stock loans. Used for cash pool margin calls and X vs Securities Per Contract cash margin calls only.
Pool Haircut in %	<p>The haircut value in percent for both cash and security pool stock loans and corresponding pool margin calls.</p> <p>The maximum haircut is 150%.</p>
AutoTicket Offset	Generates expiry tickets n days before the expiry, where n is the number of days. For final Stock Loans, defines the freeze date and generates the commission and interest n days before the expiry.

Table 4-12 Fields in the Collateral Stocks tab (Sheet 3 of 3)

Name	Description
Index / Basket	This section provides additional parameters for specific indexes or baskets, and complements the General Rules per Allotment section. For more information, see <i>Selection of Assets for Collateral</i> on page 64. The available options are the indexes and baskets defined in the system. Select '*' to let all indexes/baskets be selected as collateral assets.

Selection of Assets for Collateral

Assets are selected as collateral assets using the criteria that are specified in the **General Rules per Allotment** (securities or cash) or **Indexes / Baskets** section, and the **Currency**.

Note If you do not select specific assets in this tab, the system considers all assets, without restrictions, as potential collateral for loans. RISQUE checks the criteria in each section in top-down order.

Table 4-13 outlines how RISQUE selects assets using the criteria specified in the Index/Basket and the General Rules for Allotments sections.

Table 4-13 Selection of indexes and baskets as collateral assets

WHEN ...	THEN RISQUE selects assets by...
An index or basket is included in a selected allotment	The Index / Basket section has parameters for specific indexes or baskets
Yes	Applying the parameters in the Index / Basket section for the specified indexes and baskets and applying the parameters in the General Rules for Allotments for all other indexes and baskets.
Yes	Applying the parameters in the General Rules for Allotments section.
No	Choosing only those indexes that are listed in the Index / Basket section and excluding all other indexes from consideration.
No	Excluding all indexes and baskets from consideration.

The following describes how RISQUE selects collateral assets:

Example 1: If the underlying is not a basket or an index, RISQUE checks whether the underlying is part of a basket. If it is, it locates the parameters for the basket as outlined in Example 2.

If the underlying is not part of a basket or index, RISQUE checks whether it is included in a selected allotment and applies the parameters for that allotment. If it is not included in an allotment, RISQUE excludes it from consideration.

*Example 2: If the underlying is a basket or an index, RISQUE first checks if it is listed in with the **Index / Basket** section:*

- If it is listed, RISQUE uses the parameters defined there.
- If it is not listed, RISQUE checks the allotments in the **General Rules for Allotment** section.
 - If it is included in an allotment defined there, RISQUE includes the basket or index in the selection and uses the parameters for that allotment.
 - If it is not included in an allotment defined there, RISQUE excludes the basket or index from selection.

The Principal Stocks Tab

The parameters and rules for selecting assets (the underlying) that can comprise the principal of a loan or contract are defined in the **Principal Stocks** tab. These assets include cash, securities, indexes or baskets.

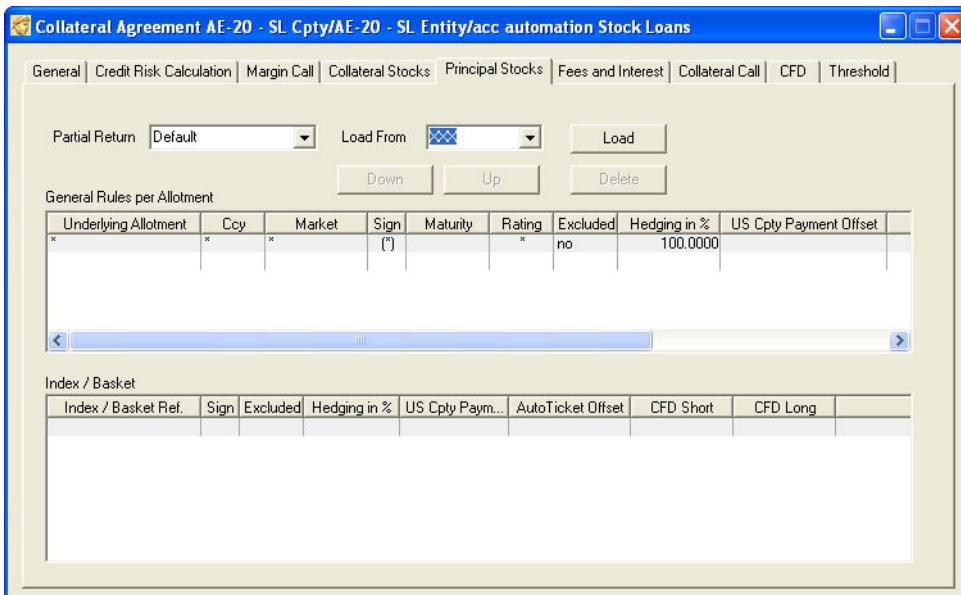


Figure 4-13 Collateral management parameters window - Principal Stocks tab

You can sort the principal stock parameters by field name. The **Principal Stocks** tab has the following fields.

Table 4-14 Fields in the Principal Stocks Tab (Sheet 1 of 3)

Name	Description
Partial Return	Specifies how the amount to return is calculated. It contains the following values: <ul style="list-style-type: none"> • Default — specifies that partial returns take the current collateral amount of the deal into account, and that you can revise the spot in a partial return. • With Initial Values — specifies that partial returns take only the initial deposit of the deal into account, and specifies that you cannot revise the spot in a partial return. • Always In Percent — specifies that the collateral amount to be returned is a percentage of the current collateral amount equal to the following: Quantity to return / Quantity
Load From	This option allows you to load Principal Stocks parameters from another collateral agreement.
General Rules per Allotment	This frame defines the rules that apply to specific allotments when creating a collateral agreement on them.
Underlying Allotment	Defines the allotment of assets that you can use as the underlying of a loan or contract. Alternatively, you can choose "Cash Principal". <p>The available options:</p> <ul style="list-style-type: none"> • Cash Principal. • Allotments that are defined in the Allotment Table. Select '*' to let assets in every allotment be selected as principal underlying. <p>See the <i>Back Office User Guide</i> for more information on allotments.</p>
Ccy	The currency of the underlying assets that comprise the principal.
Market	The market of the underlying assets that comprise the principal.
Sign	The Sign field specifies the role of the entity, as follows: '+' means the entity borrows the assets. '-' means the entity lends the assets. '*' means the entity borrows and lends the assets.
Maturity	Specifies the maturity date of the allotment.
Rating	Specifies the minimum rating of bonds on which you can create a collateral deal. To enable this field, you must define a Rating Agency on the Credit Risk Calculation tab.

Table 4-14 Fields in the Principal Stocks Tab (Sheet 2 of 3)

Name	Description
Excluded	<p>Option that determines whether or not an asset may be used as principal.</p> <p>The options are: yes, no. The default option is 'no'.</p> <p>When this option is set to 'yes', the assets of a given allotment and currency are not allowed to be loaned or borrowed.</p> <p>For example, if a share is part of an allotment that is included (that is excluded is set to 'no'), but that share is included in an index or basket that is excluded, then the share is also excluded.</p>
Hedging %	<p>The hedging percentage by which to increase the value of the principal for credit risk calculations.</p> <p>Hedging percentages must be greater than 100%.</p> <p>The percentage must reflect the volatility of the assets. See <i>Hedging on page 15</i>.</p> <p>Note: This column is only available for stock loan and repo agreements.</p>
Margin Rate	<p>Used to calculate the Initial Margin and Variation Margin values in the CFD Report. For more information, see the <i>Advanced CFD Guide</i>.</p> <p>Note: This column is only available for CFD agreements.</p>
US Cpty Payment Offset	<p>Number of days used to offset the start date of any deal which matches the criteria specified here. The start date being the Value Date + the number of days specified in this field.</p> <p>This offset applies to the following:</p> <ul style="list-style-type: none"> • Security vs. Cash per Contract • Security vs. Cash pool • Security vs. Security pool • Security vs. Security <p>Note: The start date of the deal remains editable in the deal input dialog. Any value entered by the user overrides the value specified here.</p>
AutoTicket Offset	Generates expiry tickets n days before the expiry, where n is the number of days. For final Stock Loans, defines the freeze date and generates the commission and interest n days before the expiry.
CFD Long	The default fee spread for long CFDs.
CFD Short	The default fee spread for short CFDs.

Table 4-14 Fields in the Principal Stocks Tab (Sheet 3 of 3)

Name	Description
Index / Basket	This section provides additional parameters for specific indexes or baskets, and complements the General Rules for Allotments section. For more information, see <i>Selection of Assets for Principal</i> on page 68. The available options are the indexes and baskets defined in the system. Select '*' when you want the system to consider all stocks in the indexes/baskets as collateral assets.

Selection of Assets for Principal

Assets are selected as collateral assets using the following criteria that is specified in the **General Rules per Allotment** (securities or cash) or **Indexes / Baskets** section, and the **Currency**.

Note If you do not select specific assets in this tab, the system considers all assets, without restrictions, as potential collateral for loans. RISQUE checks the criteria in each section in top-down order.

Table 4-15 outlines how RISQUE selects assets using the criteria specified in the Index/Basket and the General Rules for Allotments sections.

Table 4-15 Selection of indexes and baskets as collateral assets

WHEN ...	THEN RISQUE selects assets by
An index or basket is included in a selected allotment	The Index / Basket section has parameters for specific indexes or baskets ...
Yes	Yes Applying the parameters in the Index / Basket section for the specified indexes and baskets and applying the parameters in the General Rules for Allotments for all other indexes and baskets.
Yes	No Applying the parameters in the General Rules for Allotments section.
No	Yes Choosing only those indexes that are listed in the Index / Basket section and excluding all other indexes from consideration.
No	No Excluding all indexes and baskets from consideration.

The following describes how RISQUE selects principal assets.

Example 1: If the underlying is not a basket or an index, RISQUE checks whether the underlying is part of a basket. If it is, it locates the parameters for the basket as outlined in Example 2.

If the underlying is not part of a basket or index, RISQUE checks whether it is included in a selected allotment and applies the parameters for that allotment. If it is not included in an allotment, RISQUE excludes it from consideration.

*Example 2: If the underlying is a basket or an index, RISQUE first checks if it is listed in with the **Index / Basket** section:*

- If it is listed, RISQUE uses the parameters defined there.
- If it is not listed, RISQUE checks the allotments in the **General Rules for Allotment** section.
 - If it is included in an allotment defined there, RISQUE includes the basket or index in the selection and uses the parameters for that allotment.
 - If it is not included in an allotment defined there, RISQUE excludes the basket or index from selection.

The Fees and Interest Tab

The parameters for Fees and Interest are defined in the **Fees and Interest** tab, as shown in figure 4-14.

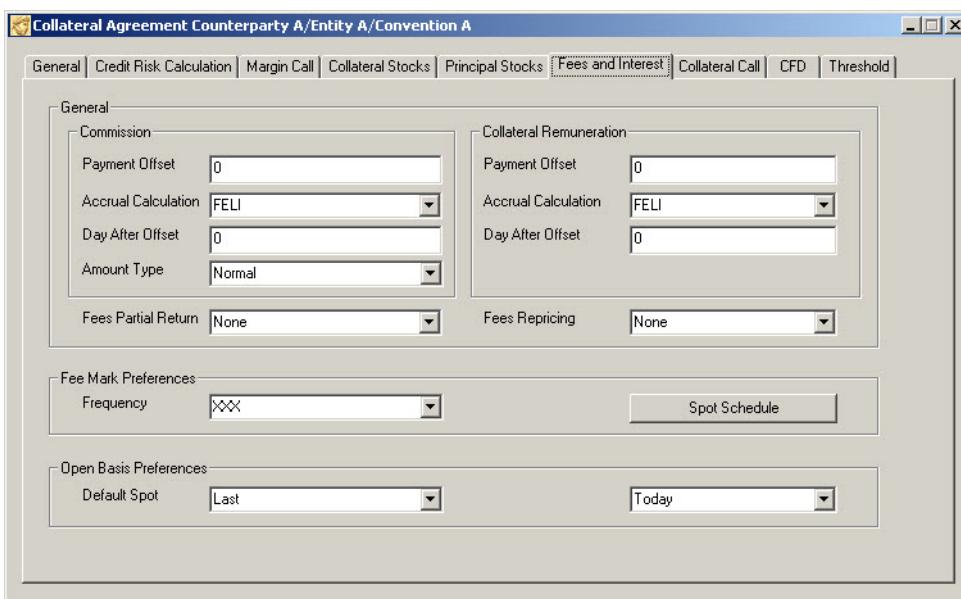


Figure 4-14 Collateral management parameters window - Fees and Interest tab

The **Fees and Interest** tab has the following frames:

- *General on page 70*
- *Fee Mark Prefs on page 71*
- *Open Basis Prefs on page 72*

General

The **General** frame contains general preferences for Fees and Interest. These preferences are divided into two frames, Commission and Collateral Remuneration. Each frame contains the same fields, described in table 4-16, but applicable respectively to commissions and collateral remuneration.

Table 4-16 Fields in the General frame (Sheet 1 of 2)

Name	Description
Payment Offset	<p>The delay between setting and settlement of fees.</p> <p>For example, if the Payment Offset is '3', the fees are settled three days after the date specified by the Billing Frequency field, which is located in the instrument window, or in the agreement.</p>
Accrual Calculation	<p>Allows you to specify the <code>MarketShiftStockLoan</code> Preference without altering fields in the RISKPREF table. The possible values are as follows:</p> <ul style="list-style-type: none"> • Default — use the value specified in the database. • FILE — first included last excluded. This value is used instead of that specified in the database. • FELI — first excluded last in. This value is used instead of that specified in the database. • FILI — first included last included. This value is used instead of that specified in the database. • FELE — first excluded last excluded. This value is used instead of that specified in the database. <p>Note: For information on the <code>MarketShiftStockLoan</code> preference, see the <i>RISQUE Tables Guide</i>.</p>
Day After Offset	<p>For commissions, defines how many days after the frequency to generate the commission. For Security Vs Cash Per Contract Stock Loans only, it also defines how many days after the frequency to generate the coupon.</p> <p>For collateral remuneration, the Day After Offset defines how many days after the frequency to generate the coupon.</p>

Table 4-16 Fields in the General frame (Sheet 2 of 2)

Name	Description
Amount Type	<p>Specifies whether to calculate commission based on the collateralised principal amount. The possible options are as follows:</p> <ul style="list-style-type: none"> Normal—Specifies that the commission is calculated using the regular spot price. Collateralised—Specifies that the commission is calculated using the collateralised spot price. <p>Note: If 'Collateralised' is selected, the titles of the Commission Explanation and Daily Commission Explanation windows change to Collateralised Commission Explanation and Daily Collateralised Commission Explanation, respectively.</p>

Fee Mark Prefs

The **Fee Mark Prefs** frame contains preferences specific to Fee Marks. They are described in table 4-16.

Table 4-17 Fields in the Fee Mark frame

Name	Description
Fee Mark Frequency	<p>The frequency at which to evaluate Fee Marks based on the spot of the principal.</p> <p>For example, if the last open day is the 29th April, the Payment Offset is 2, and the value date is 3 days after the trade date, the fees will be paid 5 days after the 29th April.</p> <p>You can add more options using the Toolkit.</p>
Spot Schedule	Opens the Fee Mark window. See <i>Fee Marks</i> on page 76.

Open Basis Prefs

The **Open Basis Prefs** frame contains preferences specific to fees that use the Open Basis commission type. Open basis means that the principal is re-evaluated every day before the commissions rate is applied. The preferences are described in table 4-18.

Table 4-18 Fields in the Open Basis Billing frame

Name	Description
Default Spot	This option applies only when the instrument uses the Commission type “Open Basis”, and it specifies the default spot for fees billing. The available options are the Last, Open, High or Low price for either yesterday or today. You can add more options using the Toolkit. For example, setting “yesterday open” means that the opening of the market on the 15th would be used to re-evaluate the principal on the 16th in preparation for applying the commission rate. The commission explanation would show the 16th.

Fees Partial Return

The **Fees Partial Return** drop-down list allows you to specify how commission and interest are calculated in Partial Returns. The following options are available:

- **In Percent** — the commission and interest are calculated based on the percent returned in the partial return. For example, if 500 is returned out of 1000, the percent is set to 50%.
- **Total** — all commission and interest are returned in the partial return, regardless of the amount of principal returned.
- **None** — the commission and interest are calculated as usual.

Fees Repricing

The **Fees Repricing** drop-down list 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.

The Collateral Call Tab

The Collateral Call Notice allows the application to automatically generate documents that notify the counterparty about a collateral call or a collateral substitution.

In order to specify the templates and other information needed to create the call notices, a new **Collateral Call** tab has been added to the **Collateral Agreements** dialog.

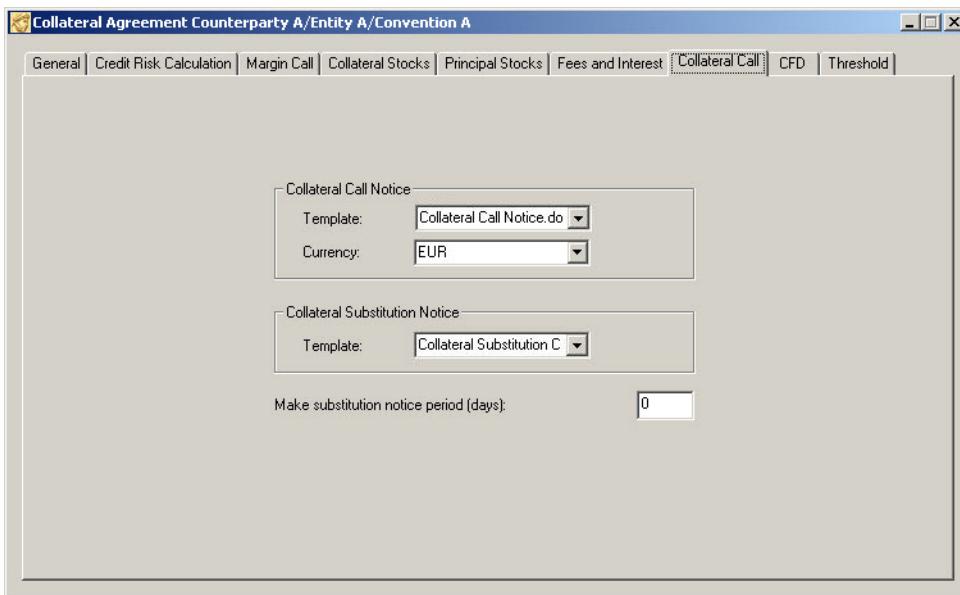


Figure 4-15 Collateral management parameters window - Collateral Call tab

Table 4-19 lists the fields in the **Collateral Call** tab:

Table 4-19 Collateral Call tab fields

Name	Description
Collateral Call Notice frame	
Template	Allows you to select the desired template for the Collateral Call Notice from the list of available templates. The Template field is automatically populated from the list of templates in the TEMPLATE table, where the GENERATIONMETHOD = 5.
Currency	The second reference currency of the collateral call notice document. If this currency is different from the reference currency of the agreement, information in the collateral call notice is presented in both currencies.
Collateral Substitution Notice frame	

Table 4-19 Collateral Call tab fields

Name	Description
Template	Allows you to select the desired template for the Collateral Substitution Notice from the list of available templates. The Template field is automatically populated from the list of templates in the TEMPLATE table, where the GENERATIONMETHOD = 5.
Make substitution notice period (days)	Determines the substitution notice period. If the next dividend or coupon date is within the specified number of days, 'MAKE SUBSTITUTION' appears in the Make Substitution column in the Detailed Limits Report.

In order to generate the collateral call or collateral substitution call notices, two entries have been added to the context menu of the **Detailed Limits Report**:

- **Generate Collateral Call Notice** — Selecting this entry 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.
- Note** You can also generate a collateral call notice by clicking the **Collateral Call Notice** button at the top of the **Detailed Limits Report**.
- **Generate Collateral Substitution Call Notice** — Selecting this entry opens the **Collateral Substitution Notice** dialog. Enter all necessary information, and click **Accept**. The collateral substitution call notice document is generated and saved in the specified location.

The Threshold Tab

The threshold reduces global margin calls by the specified amount for the entity or counterparty of an agreement, if the credit risk falls between the specified minimum and maximum exposure limits.

Important You must select the **Global Calculation** option on the **Credit Risk Calculation** tab to enable the settings on the **Threshold** tab.

Note Threshold amount is based on the reference currency of the stock loan agreement.

The **Threshold** tab is shown in figure 4-16:

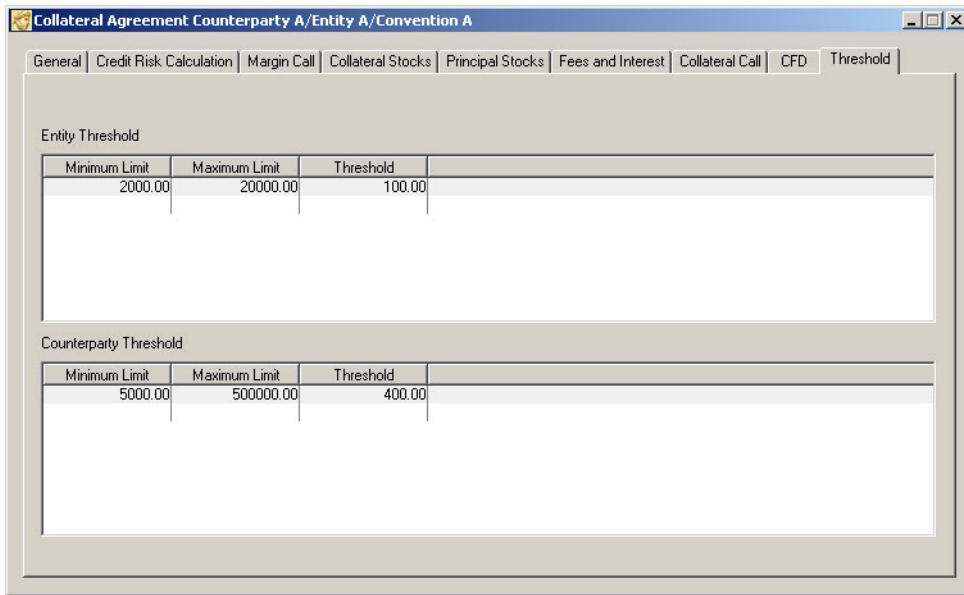


Figure 4-16 The Threshold tab

Table 4-20 lists the columns in both the **Entity Threshold** and **Counterparty Threshold** frames:

Table 4-20 Columns in the Threshold tab

Name	Description
Minimum Limit	The minimum exposure limit. Note: The number is always positive.
Maximum Limit	The maximum exposure limit. Note: The number is always positive.
Threshold	The threshold amount for the corresponding minimum and maximum limits. Margin calls are reduced by this amount if the credit risk falls between the stated exposure limits.

The example in figure 4-16 shows that the threshold reduces the global risk by EUR 2,000 if the risk is between EUR 20,000 and EUR 200,000. This is what happens in the following example that is shown in figure 4-17:

The screenshot shows a software interface titled "07/09/2009 - Stock Loan and Repo Mgt - Counterparty A/Entity A/Convention A [EUR]". The window contains a table with the following data:

Exposure [EUR]	49,012.97	Global Risk [EUR]	8,012.97						
Threshold [EUR]	1,000.00	Pool Risk [EUR]	-40,000.00						
	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
Contract Per Contract Collateral		14.986	49,013		13,605			EUR	14,986
Security Principal vs Cash EUR		50,986	50,000		50,986			EUR	50,986
Open K23 Counterparty A 7.20	100.00	50,986	50,000	Fixed Price	50,986			EUR	50,986
Security Principal vs Cash USD		-36,000	0		-36,000		0.6667	USD	-36,000
Open O-H Counterparty A 7.20	100.00	-54,000	0	Fixed Price	-36,000		0.6667	USD	-54,000
Security Principal vs Security			-987		-1,382				
Open K23 Counterparty A 3.00			-987	Fixed Price	-1,382				
Cash Pool Collateral		-40,000			-40,000	-40,000		EUR	-40,000
Cash Collateral EUR EUR6M		-40,000			-40,000	-40,000		EUR	-40,000
Security Pool Collateral		0			0				
Security Pool									

Figure 4-17 Global risk calculation with threshold

Fee Marks

Clicking the **Spot Schedule** button in the **Fees and Interest** tab of the Collateral Agreement dialog opens the **Fee Mark for Collateral Agreement** window. This window provides a history of the spots on specific days that have been used for calculating fees due when the Commission type is set to "Fee Mark" in the instrument. The window shows dates and spots that were manually and automatically added to the FeeMark table.

The Reporting functionality uses the fee marks in the fee mark table when calculating commission for a stock loan that has the commission type set to "Fee mark".

You can manually add fee marks spots from this window.

This section describes:

- *Viewing Fee Marks on page 76*
- *Adding Fee Marks Manually on page 78*
- *Deleting Fee Marks on page 79*

Viewing Fee Marks

You can view Fee Marks from the Collateral Agreement window, or from the Stock Loan and Repo Mgt window.

From Collateral Agreements Window

To view fee marks from the Collateral Agreements window, do the following:

- 1 From the **Collateral Management** menu, select **Agreements**.

The **Collateral Management Agreements** window is displayed, as shown in figure Note.

- 2 Double-click an agreement that you want to view the fee marks for.

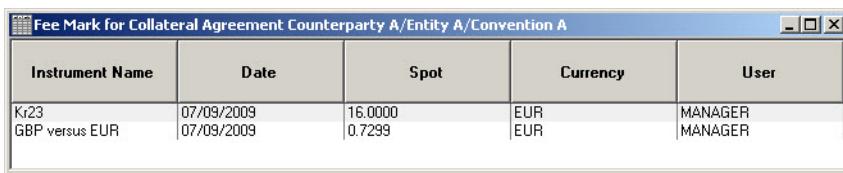
The **Collateral Management Parameters** window is displayed.

- 3 Select the **Fees and Interest** tab.

- 4 Click **Spot Schedule**.

The **Fee Mark for Collateral Agreement** window is displayed, and shows the fee marks for the selected agreement.

Figure 4-18 shows the **Fee Mark for Collateral Agreement** window:



Fee Mark for Collateral Agreement Counterparty A/Entity A/Convention A				
Instrument Name	Date	Spot	Currency	User
Kr23	07/09/2009	16.0000	EUR	MANAGER
GBP versus EUR	07/09/2009	0.7299	EUR	MANAGER

Figure 4-18 Fee Mark For Collateral Agreement window

The **Fee Mark for Collateral Agreement** window has the following columns:

Table 4-21 Columns in the Fee Mark for Collateral Agreement Window

Column	Description
Instrument Name	The reference of the instrument that the fee marks applies to.
Date	The date that the fee mark spot is associated with.
Spot	The spot that the Reporting module will use for the fee mark when calculating the commission.
Currency	The currency of the spot.
User	The operator that added the fee mark spot for a specific date.

From the Stock Loan and Repo Mgt Window

To view fee marks from the Stock Loan and Repo Mgt window, do the following:

- 1 From the **Stock Loan and Repo Mgt** window, select a loan or repo for which you want to view the fee marks.
- 2 Click the **Fee Mark** button.

- 3 The **Fee Mark for Collateral Agreement** window is displayed.

RISQUE selects all stock loans for that agreement that have the commission type set to "Fee Mark" and lists all the fee marks for that date.

If the value of the last fee mark date is zero, no fee mark was set for that date.

Adding Fee Marks Manually

To manually add a new fee mark, do the following:

- 1 Press **Ctrl+N** in the **Fee Mark for Collateral Agreement** window, which is shown in figure 4-18.

Note You can only add a new fee mark when the **Fee Mark for Collateral Agreement** window has been opened from the **Fees and Interest** tab of the **Collateral Agreements** dialog. When opening the **Fee Mark for Collateral Agreement** window from the **Stock Loan and Repo Mgt** window, you can only modify today's values.

The **New Fee Mark** dialog box is displayed, as shown in figure 4-19:



Figure 4-19 New Fee Mark dialog box

- 2 Enter the following details for the fee mark:

- Instrument — the name of the instrument.
- Spot — the spot to use for the fee mark.
- Date — date that the fee mark spot applies to.

Note

You can enter only one fee mark spot per instrument per day.

- 3 Click **OK**.

The new Fee Mark is displayed in the **Fee Mark for Collateral Agreement** window.

- 4 Save the changes to the Fee Mark window.

Deleting Fee Marks

To delete a free mark, do the following:

- 1 In the **Fee Mark for Collateral Agreement** window, which is shown in figure 4-18, select the **Spot** field.
- 2 Enter the value '0' (zero).

Alternatively, press **Ctrl+U**.

The **Fee Mark for Collateral Agreement** window is displayed.

- 3 Save the changes.

The fee mark is removed from the window.

Chapter 5 Credit Risk Calculation and Management

This chapter describes the procedures required for calculating credit risk exposure of loans and contracts.

The chapter describes:

- *Defining Limits for Collateral on page 82*
 - *Operators in Collateral Limit Rules on page 84*
- *Calculating the Credit Risk on page 85*
 - *Calculating the Results on page 88*
 - *Interpreting Credit Risk Results on page 88*
 - *Filtering the Results on page 90*
 - *Viewing Agreement Parameters on page 91*
 - *Interpreting Credit Risk Results on page 88*
 - *Including Closed Positions in the Limits Calculation on page 92*
 - *Enabling Strict Agreement Filtering in the Limits Calculation on page 93*
- *Stock Loan and Repo Mgt Window on page 93*
 - *Tri-party Managed Collateral Agreements on page 95*
 - *Columns in the Stock Loan and Repo Mgt window on page 95*
 - *Buttons in the Stock Loan and Repo Mgt window on page 98*
- *Credit Risk Management Tasks on page 98*
 - *Collateral Substitution on page 100*
 - *Commission Explanation on page 102*
 - *Collateral Interest Explanation on page 104*
- *Detailed Limits Report on page 107*
 - *Collateral Summary on page 108*
 - *Columns in the Detailed Limits Report window on page 108*
 - *Buttons in the Detailed Limits Report Window on page 110*
 - *Collateral Management Tasks on page 111*
- *Collateral Pool Report on page 112*
 - *Accessing the Collateral Pool Report on page 112*
 - *Collateral Pool Report Parameters on page 113*

- Collateral Pool Report Window on page 114

Defining Limits for Collateral

Changes to the value of principal assets and their collateral alters the credit risk exposure associated with them.

You can define risk exposure limits for each Collateral Agreement in the **Rules for Collateral** window. RISQUE calculates the credit risk for each agreement and compares it to the limits defined for that agreement in the **Rules for Collateral** window. The result of the credit risk calculation is a value that represents the total exposure for all loans and contracts.

Each line in the **Rules for Collateral** window represents a condition for the limit rule 'Collateral' which is applied to a set of extracted data from the loaded portfolios in the Root portfolio. For more information about the extracted data, see *Credit Risk Calculation on page 14*.

Figure 5-1 displays the **Rules for Collateral** window:

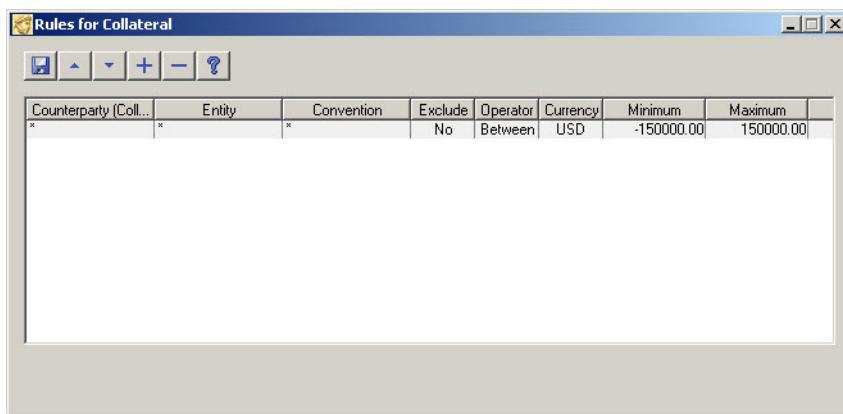


Figure 5-1 Rules for Collateral window

The **Rules for Collateral** window has the following columns:

Table 5-1 Columns in the Rules for Collateral window. (Sheet 1 of 2)

Name	Description
Counterparty	The counterparty in the Agreement.
Entity	The entity in the Agreement.
Convention	The convention in the Agreement.

Table 5-1 Columns in the Rules for Collateral window. (Sheet 2 of 2)

Name	Description
Exclude	Specifies whether or not to check this rule condition (line) against the extracted data. The options are: <ul style="list-style-type: none"> • Yes - ignore this condition when checking limits. • No - include this condition when checking limits.
Operator	The available options are: >, >=, < <=, <>, =, between, (none) For more information, see <i>Operators in Collateral Limit Rules</i> on page 84.
Currency	The data is checked against the minimum and maximum values in the specified currency. If the values are in a different currency, the system converts the values to the specified currency before checking data. The amount in the Value column of the Collateral Limits Calculation is expressed in this currency.
Minimum	The minimum limit for the credit risk exposure.
Maximum	The maximum limit for the credit risk exposure.

Note

In the instructions below, “agreement” means a “unique combination of counterparty, entity and convention.”

To define limits for collateral conventions, do the following:

1 From the **Collateral Management** menu, select **Limits Definition**.

The **Rules for Collateral** window is displayed, as shown in figure 5-1:

2 Click the **Plus** button.

3 Enter the rule conditions.

You can enter several conditions for each agreement. However, when several conditions overlap, the system applies priority and uses the topmost rule.

4 Repeat Step 2 for each rule condition (limit).

Important

You can add several limits for each agreement.

5 Verify that the details for each convention are correct. To change the order of the rule conditions, use the **Priority Up** and **Priority Down** buttons.

Click the **Save** button to save the changes.

Operators in Collateral Limit Rules

The operators in the collateral limit rules are used as follows:

Table 5-2 Operators for the Collateral Limit Rules (Sheet 1 of 2)

Operator	Function
> (Greater than)	<p>The data is compared to the <i>minimum</i> limit.</p> <p>If the value is less than the minimum limit, the result is "Breached".</p> <p>If the value is greater than the minimum limit but lies within 5% of it, the result is "Warning".</p> <p>If the value is greater than the minimum limit and does not lie within 5% of it, the result is "Good".</p>
>= (Greater than or equal to)	<p>The data is compared to the <i>minimum</i> limit.</p> <p>If the value is less than the minimum limit, the result is "Breached".</p> <p>If the value is greater than the minimum limit but lies within 5% of it, or is equal to the minimum limit, the result is "Warning".</p> <p>If the value is greater than the minimum limit and does not lie within 5% of it, the result is "Good".</p>
< (Less than)	<p>The data is compared to the <i>maximum</i> limit.</p> <p>If the value is greater than the maximum limit, the result is "Breached".</p> <p>If the value is less than the maximum limit but lies within 5% of it, the result is "Warning".</p> <p>If the value is less than the maximum limit and does not lie within 5% of it, the result is "Good".</p>
<= (Less than or equal to)	<p>The data is compared to the <i>maximum</i> limit.</p> <p>If the value is greater than the maximum limit, the result is "Breached".</p> <p>If the value is less than the maximum limit but lies within 5% of it, or is equal to the maximum limit, the result is "Warning".</p> <p>If the value is less than the maximum limit and does not lie within 5% of it, the result is "Good".</p>
= (Equal)	<p>The data is compared to the <i>minimum</i> limit.</p> <p>If the value is not equal to the minimum limit, the result is "Breached".</p> <p>If the value is equal to the minimum limit, the result is "Good".</p>

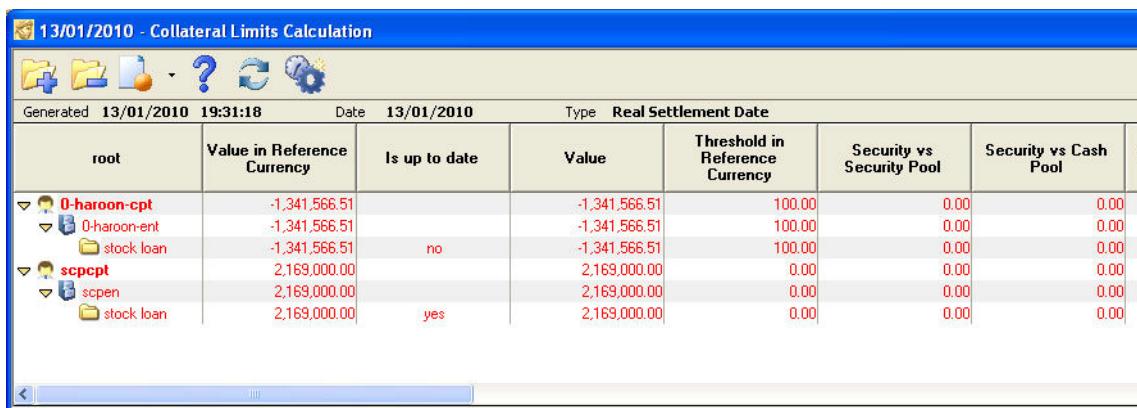
Table 5-2 Operators for the Collateral Limit Rules (Sheet 2 of 2)

Operator	Function
<> (Not Equal)	The data is compared to the <i>minimum</i> limit. If the value is equal to the minimum limit, the result is "Breached". If the value not equal to the minimum limit, the result is "Good".
Between	The data is compared to the <i>minimum</i> and <i>maximum</i> limits. If the value is less than the minimum limit, or greater than the maximum, the result is "Breached". If the value is greater than the minimum limit but lies within 5% of it, or the value is less than the maximum limit but lies with 5% of it, the result is "Warning". If the value is greater than the minimum limit and is less than the maximum limit and does not lie with 5% of either limit, the result is "Good".

Calculating the Credit Risk

RISQUE calculates the total credit risk exposure for each agreement and then compares it to the limits defined in the **Rules for Collateral** window. The result is displayed as a positive or negative value in the **Value** column of the **Collateral Limits Calculation** window.

Positive values in the **Value** column mean that the value of the principal is greater than the collateral value. Negative values mean that the principal value is less than the collateral value.

**Figure 5-2 Collateral Limits Calculation window**

The **Collateral Limits Calculation** window displays the following information in the header:

- **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.

Table 5-3 describes the buttons on the **Collateral Limits Calculation** window toolbar:

Table 5-3 Buttons on the Collateral Limits Calculation Toolbar

Button	Name	Description
	Expand	Expands the view of the items in the window.
	Collapse	Collapses the view of the items in the window.
	Breaches & Warnings	Specifies what is displayed in the Collateral Limits Calculation window. <ul style="list-style-type: none"> • Breaches • Breaches & Warnings • Everything
	Help	Displays help.
	Update Data	Refreshes the currently active window.
	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.

The **Collateral Limits Calculation** window has the following columns:

Table 5-4 Columns in the Collateral Limits Calculation Window (Sheet 1 of 3)

Name	Description
root	The data that the collateral limits were checked against. The results are displayed in a hierarchical view and sorted by counterparty, entity, and then by convention.

Table 5-4 Columns in the Collateral Limits Calculation Window (Sheet 2 of 3)

Name	Description
Value	The credit risk exposure for the agreement (counterparty, entity and convention). Positive values in the Value column mean that the value of the principal is greater than the collateral value. Negative values mean that the principal value is less than the collateral value.
Operator	The available options are: >, >=, < <=, <>, =, Between, (none) For more information, see <i>Operators in Collateral Limit Rules on page 84</i> .
Currency	The currency that the credit risk was calculated in. This is the same currency that is defined in the rule condition in the Rules for Collateral window.
Minimum	The minimum value which data was checked against. For more information, see <i>Defining Limits for Collateral on page 82</i> .
Maximum	The maximum value which data was checked against. For more information, see <i>Defining Limits for Collateral on page 82</i> .
Threshold	The threshold risk value for the collateral, as specified in the Threshold tab of the Collateral Agreements dialog. For more information, see <i>The Threshold Tab on page 74</i> .
The following columns are available when the Advanced Stock Loan module is enabled:	
Security vs Cash Contract	Provides information about the credit exposure for Securities vs Cash Per Contract stock loans.
Other Contract Per Contract	Provides information about the credit exposure for XXX vs Cash Per Contract stock loans.
Security vs Cash Pool	Provides information about the credit exposure for Securities vs Cash Pool stock loans.
Cash Pool	Provides information about the credit exposure for Cash Pool stock loans.
Cash vs Security Pool	Provides information about the credit exposure for Cash vs Securities Pool stock loans.
Security vs Security Pool	Provides information about the credit exposure for Securities vs Securities Pool stock loans.
Security Pool	Provides information about the credit exposure for Securities Pool stock loans.

Table 5-4 Columns in the Collateral Limits Calculation Window (Sheet 3 of 3)

Name	Description
Other	Provides information about the credit exposure for stock loans that do not fall into the other column categories.

For information on how the system calculates the credit risk, see *Credit Risk Calculation on page 14*.

This section describes the following:

- *Calculating the Results on page 88*
- *Interpreting Credit Risk Results on page 88*
- *Filtering the Results on page 90*

Calculating the Results

To calculate the credit risk results, do the following:

- 1 From the **Collateral Management** menu, select **Limits Calculation**.

Note You can also run the limits calculation from the context menu of **Third** window or the **Collateral Management Agreements** window.

- 2 Wait while the limits are checked against the deals in the portfolios that are currently loaded.

The **Collateral Limits Calculation** window is displayed, as shown in figure 5-2:

Interpreting Credit Risk Results

This section describes the following:

- *Hierarchy on page 88*
- *Credit Risk Value on page 89*
- *Colours Used on page 89*
- *Filtering the Results on page 90*

Hierarchy

The system displays the result of the credit risk calculation in the **Collateral Limits Calculation** window, in the following hierarchy:

- Counterparty
- Entity
- Convention

Credit Risk Value

The **Value** column displays the credit risk for that report. When the value is positive (>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.

Colours Used

Each line in the report has a colour which corresponds to the results of the checks:

Table 5-5 Colours used for credit risk results

Result Status	Status Colour	Description
Good	Green	The conditions of the rule have been met because the value lies within the limits set by the rule
Warning	Orange	The conditions of the rule have been met. However, the value lies within 5% of the limits set by the rule. Note: The 'Warning' status colour can be disabled by setting the CollateralLimitsOrangeWarningDisable RISDPREF to '1'. If the RISKPREF is set to '0', the 'Warning' status is enabled. '0' is the default.
Breached	Red	The conditions of the rule have been breached. The value lies outside the limits set by the rule.
Undefined	Black	The conditions of the rule have not been checked.

A given folder level in the report matches the colour of the least successful item contained within it. If a value breached a limit, then the folder which contains that value is also marked 'breached'.

Refreshing the Collateral Limits Calculation Window

You can refresh either all data or selected lines in the **Collateral Limits Calculation** window. To refresh the **Collateral Limits Calculation** window, do the following:

- 1 Select the lines that you want to refresh if you do not want to update all data.
- 2 Click the **Update Data** button in the toolbar of the window.

The **Confirmation** window is displayed as shown in figure 5-3:

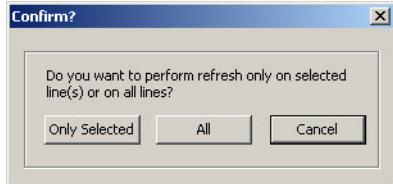


Figure 5-3 Confirmation window

- 3 Depending on whether you want to update the whole window, or only the selected lines, click one of the following buttons:
 - **Only Selected** — updates the selected lines.
 - **All** — updates all data in the window.
 - **Cancel** — returns to the **Collateral Limits Calculation** window without refreshing any data.

Filtering the Results

You can filter the results report by the rule status:

Table 5-6 Buttons for Filtering Credit Risk Results

Button	Filter	Description
	Everything	Displays all the values that were checked for the rule. Line in the report are displayed in red, orange, or green.
	Breaches & Warnings	Displays values that breached the limits, and the values that lie within 5% of the limits set by the rule. Lines in the report are displayed in red or orange. This is the default setting.
	Breaches	Displays values that breached the limits set by the rule. Lines in the report are displayed in red.

To filter the report view, click the filter button, and select a filter criteria from the list.

Viewing Agreement Parameters

By right-clicking a line and selecting **Collateral Agreement Parameters**, you can access the agreement parameters from the **Collateral Limits Calculation** window.

The Collateral Agreement Parameters are displayed. See *Collateral Agreement Parameters on page 53*.

Viewing Credit Risk by Instrument

By double-clicking a line, the **Collateral Limit Explanation** window is displayed. This window enables you to view a report of the instruments and their parameters that have contributed to the overall credit risk value in the **Value** column.

Figure 5-4 shows the **Collateral Limit Explanation** window:

Collateral Limit Explanation [N/A] - 536x CFD Counterparty/536x CFD Entity/536x CFD Performance Cashflows [JPY]								
Exposure	617,700.92	Collateral	-123,400.00	Net Exposure	494,300.92			
Threshold	N/A	Pending Collateral	0.00	Rounded Net Exposure	494,300.92			
Date	30/08/2010	Call						
Generated	30/08/2010 15:08:12	Next Margin Call	31/08/2010	Type	Trade Date			
Instrument	Position Id	Value	Currency	Value in Reference Cu...	Reference Currency	Exposure	Collateral In/Out	Pending
536x Fees&Reset\At...	179,564	152,477.64	JPY	152,477.64	JPY	152,477.64	0.00	
536x Fees&No Reset\A...	179,566	156,448.27	JPY	156,448.27	JPY	156,448.27	0.00	
536x No Reset\At Re...	179,565	152,387.50	JPY	152,387.50	JPY	152,387.50	0.00	
536x Reset\Immediate...	179,567	156,387.50	JPY	156,387.50	JPY	156,387.50	0.00	
Cash Pool JPY CFD Fr...	179,568	-80,000.00	JPY	-80,000.00	JPY	0.00	-80,000.00	
Cash Pool JPY CFD C...	179,569	-43,400.00	JPY	-43,400.00	JPY	0.00	-43,400.00	

Figure 5-4 Collateral Limit Explanation window

The header on the **Collateral Limit Explanation** contains the following:

- **Exposure** — the exposure for the deal.
- **Threshold** — the threshold risk value, as specified in the **Threshold** tab of the **Collateral Agreements** window.
- **Date** — displays the report date.
- **Generated** — displays the time and date that the report was generated on.
- **Collateral** — the collateral amount.
- **Pending Collateral Call** — the amount of all pending collateral calls.
- **Next Margin Call** — the date on which the next margin call is to be performed.
- **Net Exposure** — displays the total exposure for the agreement.

- **Rounded Net Exposure** —displays the total exposure for the agreement, rounded according to agreement preferences.
- **Type** — displays the data type specified in the **Stock Loan** tab of the **Preferences** window.

The **Collateral Limit Explanation** has the following columns:

Table 5-7 Columns in the Collateral Limit Explanation Window

Name	Description
Collateral In/Out	The amount of collateral received or delivered.
Currency	The currency that the Value is expressed in.
Exposure	The exposure for the deal.
Instrument	The instrument reference.
Is up to date	Displays whether the information on the deal is up to date.
Make Substitution	Specifies whether a substitution can be made.
Pending Collateral	The value of the collateral that is in pending status.
Position Id	The position ID of the stock loan deal.
Reference Currency	The Reference Currency of the Collateral Agreement.
Value	The credit risk value for the instrument.
Value in Reference Currency	The credit risk value expressed in the Ref. Currency .

Including Closed Positions in the Limits Calculation

You can specify whether closed positions are taken into account in limits calculations.

To include closed positions, do the following:

- 1 Enter an absolute or relative date into the **Limits Close Date** text box in the **Stock loan** tab of the **Preferences** dialog.
This date specifies the date after which closed positions are not included in limits calculations.
- 2 Choose the **Closed Before “Limits Close Date”** option from either the **Condition1**, **Condition2**, or **Condition3** columns of the **Collateral Indicator Selector** window.
For information about the Collateral Indicator Selector, see *Collateral Indicators on page 36*.

- 3 Choose **Standard** from the **Indicator Name** column drop-down list.

Selecting this option specifies that positions closed before the date specified in the **Limits Close Date** text box are taken into account in the limits calculation.

Note To exclude all close positions, select **Exclude** from the **Indicator Name** column drop-down list.

Enabling Strict Agreement Filtering in the Limits Calculation

You can specify whether SQL queries automatically apply the agreement model as a filter to the query if all agreements in question share the same model. To do this, select the **Enable Strict Agreement Model Filtering in Limits Calculation** check box in the **Stock loan** tab of the **Preferences** dialog.

For example, if the preference is enabled, and if the limits calculation is run on agreements that all have the **Lending Borrowing Model** model, a strict filter is applied to SQL queries so that the limits calculation only takes stock loan, repo, and margin call transactions into account.

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 98*.

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 screenshot shows a software interface titled "13/01/2010 - Stock Loan and Repo Mgmt - Counterparty A/Entity A/Convention A [EUR]". The window displays a table of transaction details, including columns for Exposure Threshold Generated, Global Risk, Pool Risk, Date, Type, Real Settlement Date, and various financial metrics like Initial Deposit, Credit Risk, Commission Type, and Collateral Value.

Exposure Threshold Generated	2,152,325.55 N/A	Global Risk Pool Risk	2,152,325.55 300,000.00	Date	Type	Real Settlement Date								
	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	esterday' Interest on Cash Collate...	esterday' Commi...	Start Date	
▼ Contract Per Contract Collateral		-9,990	1,852.3K		-9,990			EUR	-9,990	EUR	127	-5,310		
▼ Security Principal vs Cash EUR		-10,000	5,000		-10,000			EUR	-10,000	EUR	127	-248		
▲ Open SHAR Counterparty A 7.20	100.00	-10,000	5,000	Fixed Price	-10,000			EUR	-10,000	USD	127	-248	07/09/21	
▼ Security Principal vs Cash USD		10	0		10		1.0247	USD	10	EUR	-0	0		
▲ SL-0aaaa-0	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	10/09/21	
▲ SL-0bbbb-0	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	10/09/21	
▲ SL-0ccccc-0	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	10/09/21	
▲ SL-0aaaa-2	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	29/09/21	
▲ SL-0bbbb-2	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	29/09/21	
▲ SL-0ccccc-2	100.00	2	0	Fixed Price	2		1.0247	USD	2	USD	-0	0	29/09/21	
▼ Security Principal vs Security		1,847.3K						EUR			-5,063			
▲ Open SHAR Counterparty A 7.20		675,000		Fixed Price				EUR			-1,890		22/09/21	
▲ Open O-ni Counterparty A 7.20		512,326		Fixed Price				EUR			-1,435		22/09/21	
▲ SL-SHARE_36620_2_Spot in %...		110,000		Fixed Price				EUR			-308		19/10/21	
▲ 10/1 SHAR Counterparty A 7.20		550,000		Fixed Price				EUR			-1,430		10/11/21	
Cash Pool Collateral		0												

Figure 5-5 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 Principal vs Cash — loan of securities with cash as collateral.
 - Cash Principal vs Security — repo with securities as collateral.
 - Security Principal 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.
- Security Pool Collateral, which is further divided into:
 - Security Principal — summary for Stock Loans that use securities as the principal of a collateral agreement.
 - Cash Principal — summary for the transactions with cash as the principal of a collateral agreement.
 - Security Pool — summary for Stock Loans that use a Securities Pool collateral.

The **Stock Loan and Repo Mgt** window displays a summary for each type of Collateral. It also displays the following 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

All values are displayed in the defined reference currency.

Tri-party Managed Collateral Agreements

You can book Stock Loan deals where a third party is involved in the collateral agreement. The **Stock Loan and Repo Mgt** window supports the following types of guarantee for tri-party managed collateral agreements:

- Cash Collateral — summary for contracts that use cash as collateral.
- Cash Principal — summary for the transactions with cash as the principal of a collateral agreement.
- Security Collateral — summary for contracts that use a security as collateral.
- Security Principal — summary for Stock Loans that use securities as the principal of a collateral agreement.

Columns in the Stock Loan and Repo Mgt window

The **Stock Loan and Repo Mgt** window has the following columns:

Table 5-8 Columns in the Stock Loan and Repo Mgt window (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 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).

Table 5-8 Columns in the Stock Loan and Repo Mgt window (Sheet 2 of 4)

Name	Description
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). This is calculated as described in <i>Credit Risk Calculation on page 14</i> .
Estimated Billing (in Billing CCY)	The fees that have accrued on the instrument up to today in the defined billing currency.
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.
Hedging Ratio	The hedging ratio applied to the contract. Depending on the type of principal, the haircut from the instrument definition or from the Collateral Agreement is applied.
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.
Last FeeMark Spot	The spot price that was used for the last billing. This option applies when the commission type for the instrument is set to "fee mark."
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.
Minimum Commission Fees	Displays the amount defined in the Minimum text box for the relevant stock loan or repo deal.
Sum of commissions Paid	Displays the total amount of fees already paid.
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.

Table 5-8 Columns in the Stock Loan and Repo Mgt window (Sheet 3 of 4)

Name	Description
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.
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 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 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.

Table 5-8 Columns in the Stock Loan and Repo Mgt window (Sheet 4 of 4)

Name	Description
Start Date	The start date of the stock loan or repo.
Yesterday's Commission	The total commission paid on yesterday's date.

Buttons in the Stock Loan and Repo Mgt window

The **Stock Loan and Repo Mgt** window has the following buttons in the toolbar:

Table 5-9 Buttons in the Stock Loan and Repo Mgt window

Button	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 For more information, see <i>Fee Marks on page 76</i> .
	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 5-6:



Figure 5-6 Context menu in Stock Loan and Repo Mgt window

Table 5-10 describes the context menu:

Table 5-10 Context Menu Commands (Sheet 1 of 2)

Name	Description
Cash Margin Call	Perform a per-contract, pool, or global cash margin call. See <i>Performing Cash Margin Calls on page 149</i> .
Securities Margin Call	Perform a per-contract or global securities margin call. See <i>Performing Securities Margin Calls on page 152</i> .
Collateral Substitution	Replace one collateral asset with another. See <i>Collateral Substitution on page 100</i> .
Commission Explanation (Standard)	Display a summary of fees that are due on a contract. See <i>Commission Explanation on page 102</i> .
Daily Commission Explanation	Displays a detailed, one line per day view of the fees that are due on a contract.
Cash 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. See <i>Collateral Interest Explanation on page 104</i> .
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.

Table 5-10 Context Menu Commands (Sheet 2 of 2)

Name	Description
XML Report Copy	Copies the report to your Windows clipboard in XML format that you can paste into a text or XML editor.

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 5-10 shows an example of the **Collateral Substitution** window:

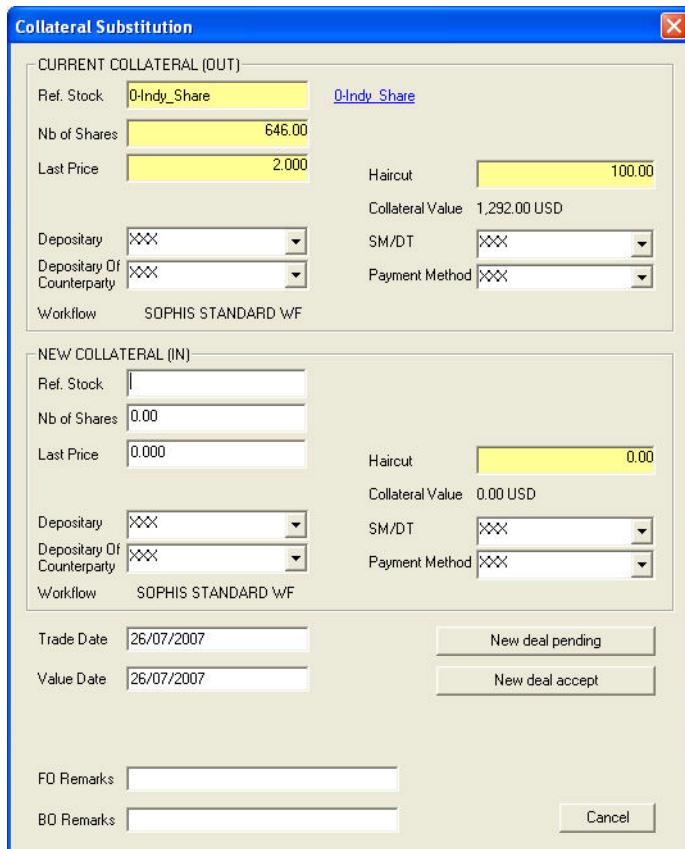


Figure 5-7 Collateral Substitution window

In addition to ticket-related fields for exchange of new collateral, the **Collateral Substitution** window has two frames, **CURRENT COLLATERAL** and **NEW COLLATERAL** frames, which have the following fields:

Table 5-11 Fields in the Collateral Substitution window (Sheet 1 of 2)

Name	Description
CURRENT COLLATERAL Frame	
Reference	The underlying reference.
Deliver/Receive	The direction of the transaction.
ISIN	The ISIN code of the current collateral.
Maturity	The maturity date of the current collateral.
Coupon / Dividend	The next coupon date.
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.
Accrued	The accrued coupon of the bond today when the collateral is a bond.
Haircut	The haircut percentage to apply to the collateral.
FX Rate	The forex rate of the collateral.
Depository	The depositary of the trade.
Depository of Counterparty	The counterparty's depositary.
SM/DT	The Settlement Method/Delivery Type.
Payment Method	The payment method.
Workflow	The specified workflow of the deal.
NEW COLLATERAL frame	
Reference	The underlying reference of the new collateral.
Deliver/Receive	The direction of the transaction.
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.

Table 5-11 Fields in the Collateral Substitution window (Sheet 2 of 2)

Name	Description
Haircut	The haircut percentage to apply to the new collateral.
FX Rate	The forex rate of the new collateral.
Depository	The depositary for the new collateral.
Depository of Counterparty	The counterparty's depositary.
SM/DT	The Settlement Method/Delivery Type.
Payment Method	The payment method.
Workflow	The specified workflow.
General Information	
PnL Date	The initial date of the deal.
Margin Call Date	The margin call date of the deal.
Settlement Date	The settlement 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.

Collateral Substitution for Securities Pool Stock Loans

You can make whole or partial collateral substitution using the **Collateral Substitution** dialog for Securities Pool stock loans. Substituting a securities pool in RISQUE is identical to the replacing one collateral asset with another and this is described in *Collateral Substitution on page 100*.

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 5-8 shows an example of the **Commission Explanation** window:

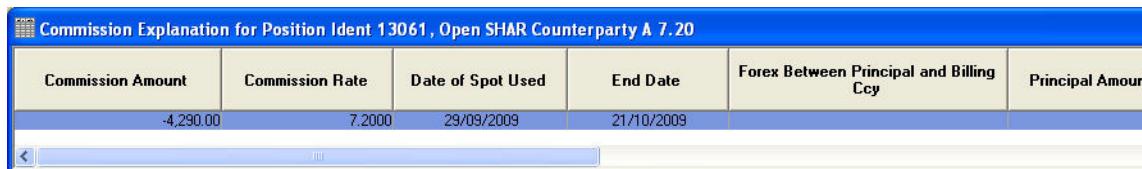


Figure 5-8 Commission Explanation window

The **Commission Explanation** window has the following columns:

Table 5-12 Columns in the Commission Explanation window (Sheet 1 of 2)

Name	Description
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 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.
Commission Amount	The total fees due since the previous date.
Commission Prepaid	The amount of any commission that has been prepaid.
Commission Rate	The rate used to calculate the fees.
Date of Spot Used	The spot that was used to calculate the fees due.
End Date	The end date for the commission and interest period.
Forex between Principal and Billing Ccy	The forex that was applied to the underlying currency to obtain the commission currency.
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.
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.
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.

Table 5-12 Columns in the Commission Explanation window (Sheet 2 of 2)

Name	Description
Principal Amount in Billing Currency	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.
Principal Amount in Principal Currency	The principal amount.
Principal Currency	The currency of the underlying or principal.
Principal Quantity	The principal quantity.
Principal Spot in Principal Currency	The principal spot.
Settlement Date	The date on which the trade is settled.
Start Date	The start date for the commission and interest period.

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 5-9 shows an example of the **Daily Commission Explanation** window:

Daily Commission Explanation for Position Ident 13061, Open SHAR Counterparty A 7.20									
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 Curren	
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	

Figure 5-9 Daily Commission Explanation window

Collateral Interest Explanation

The **Cash Collateral 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 5-10 shows an example of the **Cash Collateral 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 5-10 Cash Collateral Interest Explanation window

The **Cash Collateral Interest Explanation** window has the following columns:

Table 5-13 Columns in the Cash Collateral Interest Explanation window

Name	Description
Billing period interest	The interest that has accumulated on cash collateral since the last Payment date. This fields contains the same value as the Interest on Collateral (in collat ccy) field in the Stock Loan and Repo Mgt window.
Currency	The currency used in the trade.
End Date	The end of the period for the commission and interest.
Interest Rate	The interest rate used.
Interest prepaid	The interest that was paid prior to the billing period.
Settlement date	The date on which the trade is settled.
Spread	The spread that was applied to the calculate the interest. The spread is set in the Cash Collateral Remuneration frame of the Margin Call tab in the agreement parameters.
Start Date	The beginning of the period for the commission and interest.
Total amount to remunerate	The total amount of cash margin calls performed on the cash pool or cash collateral.

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 5-11 shows an example of the **Daily Cash Collateral 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_I			3.6000	29/09/2009	

Figure 5-11 Daily Cash Collateral Interest Explanation window

The **Daily Cash Collateral Interest Explanation** window has the following columns:

Table 5-14 Columns in the Daily Cash Collateral Interest Explanation window (Sheet 1 of 2)

Name	Description
Billing period interest	The interest that has accumulated on cash collateral since the last Payment date. This fields contains the same value as the Interest on Collateral (in collat ccy) field in the Stock Loan and Repo Mgt window.
Currency	The currency used in the trade.
End Date	The end of the period for the commission and interest.
Fixing Date	The fixing date of the collateral agreement.
Fixing Rate	The fixing rate used.
Interest Rate	The interest rate used.
Interest prepaid	The interest that was paid prior to the billing period.
Settlement date	The date on which the trade is settled.
Spread	The spread that was applied to the calculate the interest. The spread is set in the Cash Collateral Remuneration frame of the Margin Call tab in the agreement parameters.
Start Date	The beginning of the period for the commission and interest.

User Guide

Table 5-14 Columns in the Daily Cash Collateral Interest Explanation window (Sheet 2 of 2)

Name	Description
Total amount to remunerate	The total amount of cash margin calls performed on the cash pool or cash collateral.

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 111*.

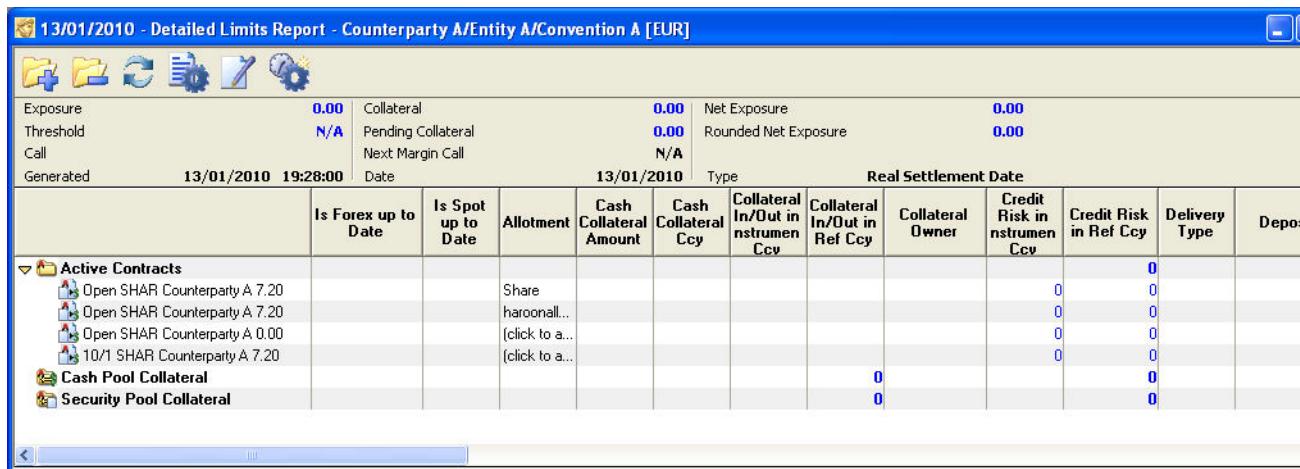


Figure 5-12 Detailed Limits Report window

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 active collateral contracts.
- **Threshold** — the threshold that decreases the value of the credit risk, as specified in the **Threshold** tab of the **Collateral Agreements** dialog. Since the example in figure 5-12 uses the values that are set on the **Threshold** tab as described in figure 4-16, the threshold in this case reduces the global risk by EUR 2,000.
- **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 5-15 lists the columns in the **Detailed Limits Report** window.

Table 5-15 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.
Securities Collateral Country	Specifies the country of the securities collateral.

Table 5-15 Columns in the Detailed Limits Report Window (Sheet 2 of 3)

Name	Description
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.
Depositary	The depositary 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.
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.
Nominal	The nominal of securities held as collateral. Cash collateral is not included in this figure.
Payment Method	The specified payment method of the deal.

Table 5-15 Columns in the Detailed Limits Report Window (Sheet 3 of 3)

Name	Description
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 Rating	The rating of the underlying bond.
Sec Collateral Qty	<p>The quantity of securities held as collateral. Cash collateral is not included in this figure.</p> <p>This is calculated as:</p> <p>Initial Number of Securities + Security Margin Call Quantity - Partial Returns.</p>
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.

Buttons in the Detailed Limits Report Window

Table 5-16 lists the buttons in the toolbar of the **Detailed Limits Report** window.

Table 5-16 Buttons in the Detailed Limits Report Window (Sheet 1 of 2)

Button	Name	Description
	Expand	Expands the view of the items in the window.
	Collapse	Collapses the view of the items in the window.

Table 5-16 Buttons in the Detailed Limits Report Window (Sheet 2 of 2)

Button	Name	Description
	Update Data	Refreshes the currently active window, or its selected lines. For more information, see <i>Refreshing the Collateral Limits Calculation Window</i> on page 90.
	Collateral Call Notice	Generates a collateral call notice. Clicking this button 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 button 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 5-13:

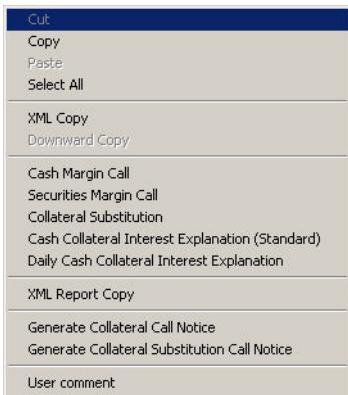
**Figure 5-13** Detailed Limits Report context menu

Table 5-17 outlines the purpose of the options in the context menu:

Table 5-17 Context menu options for the Detailed Limits Report

Name	Description
Cash Margin Call	Perform a per-contract or global cash margin call. See <i>Performing Cash Margin Calls on page 149</i> .
Securities Margin Call	Perform a per-contract or global securities margin call. See <i>Performing Securities Margin Calls on page 152</i> .
Collateral Substitution	Replace one collateral asset with another. See <i>Collateral Substitution on page 100</i> .
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. See <i>Collateral Interest Explanation on page 104</i> .
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 5-14:

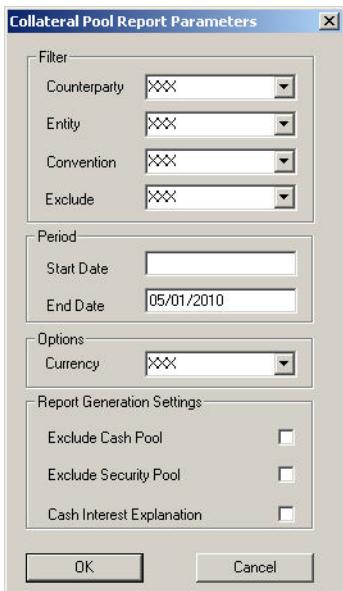


Figure 5-14 Collateral Pool Report Parameters dialog

Table 5-18 describes the fields in the **Collateral Pool Report Parameters** dialog:

Table 5-18 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.

Table 5-18 Collateral Pool Report Parameters fields

Name	Description
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 5-15:

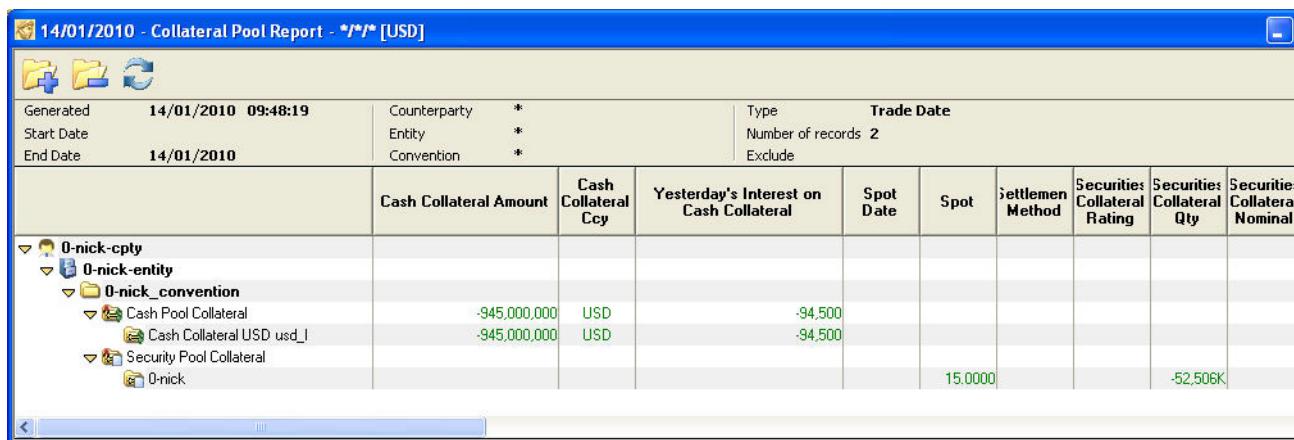


Figure 5-15 Collateral Pool Report window

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 5-15 lists the columns in the **Limits Calculation** window:

Table 5-19 Columns in the Collateral Pool Report window (Sheet 1 of 2)

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.
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.

Table 5-19 Columns in the Collateral Pool Report window (Sheet 2 of 2)

Name	Description
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.
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 6 Collateral Scheduler

This chapter describes the Collateral Scheduler which allows you to track the available quantity of securities at points in the future. This then allows you to make decisions about what securities can be used when margin calls need to be performed.

This chapter contains the following sections:

- *Collateral Scheduler Extractions on page 117*
- *Collateral Scheduler Report on page 122*
 - *Collateral Scheduler Report Window on page 122*
 - *Creating a Report on page 122*

Collateral Scheduler Extractions

The **Extraction Properties** dialog is used to create personalised collateral scheduler extractions, according to the areas you are interested in. Figure 6-1 displays the **Extraction Properties** dialog:

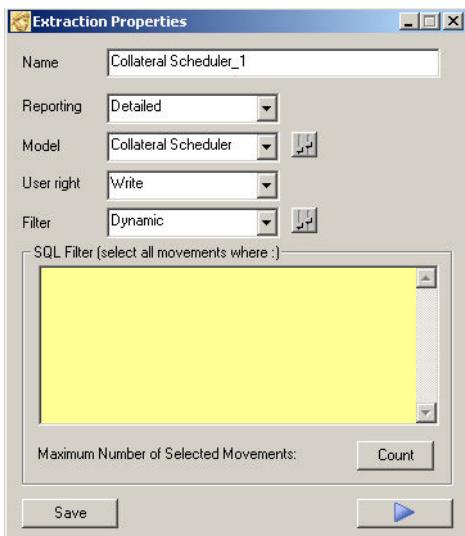


Figure 6-1 Extraction Properties Dialog

The menus, fields, and buttons of the **Extraction Properties** dialog are described in table 6-1:

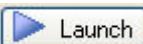
Table 6-1 Extraction Properties Dialog (Sheet 1 of 3)

Name	Description
Name	The name of the extraction. To save an extraction, enter a unique name and click Save .
Model	The model of the extraction. For collateral schedule extractions, you must select the Collateral Scheduler option.
	Configure model — opens the Collateral Scheduler Extraction Criteria dialog for creating user-defined extractions. See <i>User-Defined Collateral Scheduler Extraction Criteria</i> on page 120.

Table 6-1 Extraction Properties Dialog (Sheet 2 of 3)

Name	Description
Reporting	<p>The reporting type for the extraction. The drop-down list enables you to group portfolio movements and do reporting at the server level. This can save considerable calculation time when performing extractions.</p> <p>The following reporting types are available:</p> <ul style="list-style-type: none"> • Detailed — no grouping is used. • Two trades a day — trades are grouped according to purchases and sales • Two trades a payment day — trades are grouped according to purchases and sales and according to the payment day. • One trade a day — trades are grouped according to the date. • One trade a payment day — trades are grouped according to the payment day. • One unique trade — one group per position. • Without average price — the average price is not included. <p>Note: Depending on the reporting type, the average price may differ from the portfolio, but the result is always the same.</p>
User right	<p>The user rights of the extraction. Access to portfolio extractions can be reduced by choosing the relevant access level from this list. You can restrict access to portfolio extractions to the following three levels:</p> <ul style="list-style-type: none"> • Read — users can only perform the extraction and not modify the extraction. Only the user that created the extraction can change the extraction. • Write — all users can perform and modify the extraction. • No Access — only the user who created the extraction can perform and modify the extraction.
Filter	<p>The filter type. The following filter types are available:</p> <ul style="list-style-type: none"> • Manual — manually enter a SQL query string in the SQL Filter text box. • Dynamic — use the Query Builder to create a filter.
	Configure Query — opens the Query Builder . For more information, see the <i>Portfolio Management Guide</i> .
SQL Filter	Enter a SQL string in this text box to filter with SQL. For more information, see the <i>Portfolio Management Guide</i> .

Table 6-1 Extraction Properties Dialog (Sheet 3 of 3)

Name	Description
Count	Get a count of the number of positions that are exposed for the extraction. This is based on the entry point. If your entry point portfolio has 100 positions, your count is 100. This can help to determine the time that the extraction takes to run.
 Launch	Launch extraction — run the extraction.

To open the **Extraction Properties** dialog, do the following:

- 1 Point to the **Collateral Scheduler Report** command on the **Collateral Mgt** menu and click the **Management** command.

The **Collateral Scheduler** list window is displayed, as shown in figure 6-2:



Figure 6-2 Collateral Scheduler list window

Note

Double-clicking on an existing extraction in the **Collateral Scheduler list** opens the extraction view for that extraction. See the *Portfolio Management Guide* for more information.

- 2 With the **Collateral Scheduler list** window open, press **Ctrl+N**. The **Extraction Properties** dialog is displayed, as shown in figure 6-1.

Note

To modify an existing extraction in the **Collateral Scheduler list**, select the extraction and click the **Modify** button.

User-Defined Collateral Scheduler Extraction Criteria

The **Collateral Scheduler Extraction Criteria** dialog allows you to specify parameters for user-defined collateral scheduler extractions.

To open the **Collateral Scheduler Extraction Criteria** dialog, click the **Configure model** button next to the **Model** drop-down list in the **Extraction Properties** dialog.

The **Collateral Scheduler Extraction Criteria** dialog is displayed, as shown in figure 6-3:

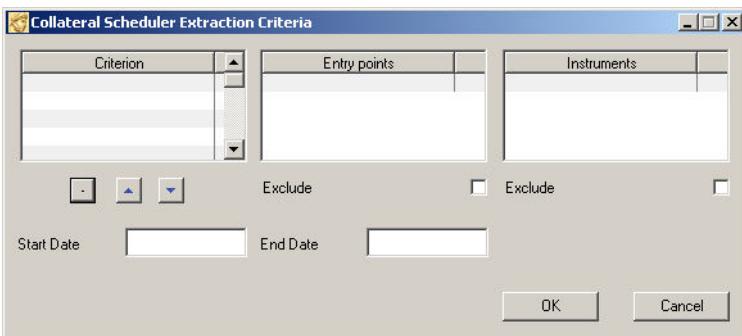


Figure 6-3 Collateral Scheduler Extraction Criteria window

Table 6-2 describes the fields and buttons of the **Collateral Scheduler Extraction Criteria** dialog:

Table 6-2 Criteria Dialog

Name	Description
Criterion	<p>The list of criteria for your extraction. The order of the list determines the order of the extraction. For example, here is a list of three criteria:</p> <ul style="list-style-type: none"> • Entity • Instrument type • Broker <p>The extractions results are organised according to the order in which the criteria are specified.</p>
Entry Points	<p>The entry point of the extraction. Select from the drop-down list off all portfolios. You can also define an entry point by dragging and dropping a portfolio from the Portfolio window into the Entry Points column.</p>
	Delete — delete the selected criteria.
	Up and Down arrows — move selected criteria up or down in list.
Exclude	Perform an extraction excluding the selected entry points. For example, if you create an extraction for the ABC portfolio entry point and select the Exclude check box, the extraction gets all portfolios except for the ABC portfolio.
Instruments	Filters the extraction by any instruments in the list.
Start Date	The absolute or relative date indicating the start of the report.
End Date	The absolute or relative date indicating the end of the report.

Collateral Scheduler Report

Collateral Scheduler Report Window

The **Collateral Scheduler Report** window is a hierarchical window with vertical layout and contains all information in a single window. Each line of the report corresponds to results for a given security on a given date, with or without additional grouping.

Grouping

Grouping of the results is specified by the user prior to running the report. See *User-Defined Collateral Scheduler Extraction Criteria on page 120*. In the default case, when no additional grouping is specified, the results are grouped by security and date, making it a two-level hierarchical window.

Dates

Each date corresponds to a specific line in the report for given securities and grouping. The report only contains the dates when a change in quantity does occur. For securities with maturity, such as bonds, the maturity date can be considered as another date.

For securities in the **Collateral Scheduler Report**, the notion of date corresponds to "settlement date" if present, or "payment date" (i.e. "value date") if not specified.

Creating a Report

To open the **Collateral Scheduler Report**, do the following:

- 1 Select the **Collateral Scheduler Report** option from the **Collateral Mgt** menu.

Under the **Management** option, all collateral scheduler extractions that you have defined are listed.

- 2 Select an extraction from the list.

The **Collateral Scheduler Report** window for the chosen extraction is displayed, as shown in figure 6-4.

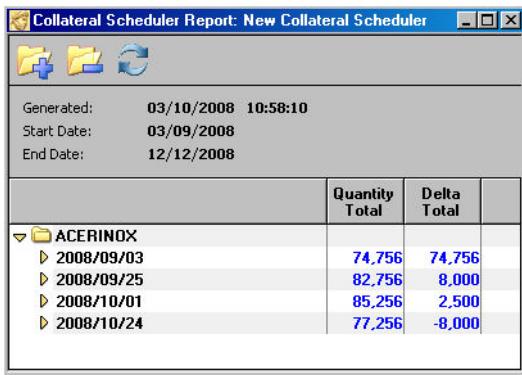


Figure 6-4 Collateral Scheduler Report window

Report Summary

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

- **Generated** — the date and time the current report was generated.
- **Start Date** — the date indicating the start of the report.
- **End Date** — the date indicating the end of the report.

Toolbar

Table 6-3 shows the buttons in the **Collateral Scheduler Report** window:

Table 6-3 Buttons in the Collateral Scheduler Report Window

Button	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.
	Using Criteria	<p>Allows you to group results by the criteria that was specified in the Criterion list of the Criteria for Collateral Scheduler Extraction dialog.</p> <p>The following options are available:</p> <ul style="list-style-type: none"> • Using Criteria — Groups the extractions results by the specified criteria. • Without Criteria — The default view, without grouping.

Columns in the Collateral Scheduler Report Window

Table 6-4 describes the columns in the **Collateral Scheduler Report** window:

Table 6-4 Columns in the Collateral Scheduler Report Window (Sheet 1 of 2)

Name	Description
Allotment	Displays the allotment of the position or instrument, depending on whether the line in the Collateral Scheduler Report is for a position or instrument.
Delta Book	Displays the difference on the quantity of shares for that date.
Country	Specifies the country of the security.
Delta Collateral	Displays the difference on the quantity of collateral for that date.
Delta Stock Loan	Displays the difference on the principal of the underlying for that date.
Delta Total	Displays the result of the following equation: $\text{Delta Total} = \text{Delta Book} + \text{Delta Collateral} + \text{Delta Stock Loan.}$
Market Spread	Displays the average of the Repo Rate , Bid and Ask values specified in the Repo margin window.
Market Rebate	Displays the product of the Credit Tax Paid and Financial Structure values specified in the Tax Credit window.
Maturity Date	Displays the maturity date of the bond. The column is only applicable for bonds.
Nb Days to Maturity	Displays the number of days until the maturity of the bond. The column is only applicable for bonds.
Next Ex-Coupon Date	Displays the next excoupon date or next exdividend date, depending on the reference instrument.
Nb of Days to Next Coupon Pay	Displays the number of days until the next coupon payment or next dividend payment, depending on the reference instrument. Note: The next coupon payment date may be different from the next excoupon date, because of ownership shifts or bank holidays. For bonds, this payment date is found in the Adjusted Date column of the Redemption tab in the Bond definition dialog.
Position ID	Displays the position ID.
Quantity Book	Displays the current amount of shares available today.
Quantity Collateral	Displays the current amount of collateral available today.

Table 6-4 Columns in the Collateral Scheduler Report Window (Sheet 2 of 2)

Name	Description
Quantity Stock Loan	Displays the current amount of principal of the underlying available today.
Quantity Total	Displays the result of the following equation: Quantity Total = Quantity Book + Quantity Collateral + Quantity Stock Loan.

Collateral Scheduler Report Context Menu

The following options are available from the **Collateral Scheduler Report** context menu:

- **Open portfolio** — Opens the portfolio for the selected position.
- **Open contract** — Opens the contract for the selected position.
- **XML Copy** — Saves the details of the report as XML, which can then be saved as a file.
- **XML Report Copy** — Copies the report into your clipboard as plain text in XML format that you can insert into a text editor, such as Notepad.

Chapter 7 Securities Report

This chapter describes the RISQUE Securities Report. This chapter contains the following:

- *Introduction on page 128*
 - *Configuring the Securities Report Window on page 128*
- *Interface on page 129*
 - *Securities Report Parameters Dialog on page 129*
 - *Securities Report Window on page 130*
- *Launching the Securities Report on page 135*
 - *Generating a Report on page 135*
- *Securities Report Actions on page 135*
 - *Performing a Purchase/Sale on page 135*
 - *Booking a Stock Loan on page 137*
 - *Viewing Information about the Instrument on page 138*
 - *Opening the Portfolio on page 138*
 - *Loading Instrument Information on page 139*
- *Explanations on page 139*
 - *Explanation Tab User Interface on page 140*
 - *Launching Explanations on page 141*
 - *Explanation Tab Tasks on page 141*
 - *Managing Stock Loan Contracts on page 143*
- *Running Projections on page 143*
 - *Projection Tab User Interface on page 144*
 - *Launching Projections on page 145*

Introduction

The Securities Report enables you to analyse and monitor equity information across different positions in a portfolio. It offers detailed information on the equity and split between book, lending/borrowing, CFDs, per contract collateral and pool collateral positions.

The Securities Report also provides the following:

- It is SQL-based, as opposed to extraction-based.
- It does not require that portfolios are loaded.
- It can retrieve equities for the following:
 - trade date
 - value date
 - estimated value date
 - real settlement date
- It is toolkitable.
- You can open multiple instances of report.

Configuring the Securities Report Window

Note

Does not require that portfolios are loaded

Global Preferences

The following global preference pertains to the Securities Report:

Table 7-1 Securities Report Global Preferences

Name	Description
SECREPORT_BO_STATUS_GROUP	Specifies whether only deals with the defined BO status are taken into account by the report. The values are as follows: <ul style="list-style-type: none"> • 0 — all deals are taken into account by the report. • <BO status ID> — specifies that only deals with this BO status are taken into account, where <BO status ID> is the identification number of the BO status.

User Rights

The the **Securities Report** user right in the **Collateral Management** tab of the user rights dialog specifies whether the user can open and use the Securities Report.

The rights are as follows:

- Yes
- No
- Same as group

Preferences

The **Deals in Portfolio** drop-down list in the **Back office** tab of the **Preferences** dialog specifies that deals with the selected BO status are taken into account for the Securities Report.

Interface

This section describes the user interfaces you will encounter in the Securities Report.

Securities Report Parameters Dialog

The **Securities Report Parameters Dialog** is shown in figure 7-1:

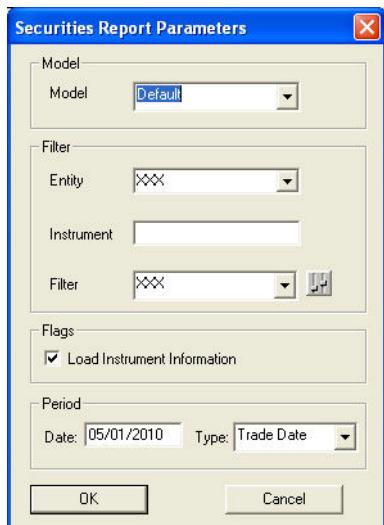


Figure 7-1 Securities Report Parameters dialog

Table 7-2 describes the fields in the **Securities Report Parameters** dialog:

Table 7-2 Fields in the Securities Report Parameters Dialog

Name	Description
Model	Specifies a model for the filter. The model controls the list of fields extracted from the database. The list may contain default and toolkitted models.
Entity	Filters the report by the selected entity.
Instrument	Filters the report by the specified instrument.
Filter	Filters the report by a user-defined SQL filter.
	Opens the SQL Filter Edit dialog box, which enables you to define SQL queries. Defined queries are then added to the list in the Filter drop-down list.
Load Instrument Information	Specifies that instrument information is displayed only if the instrument has been loaded.
Date	Specifies the report date.
Type	Specifies the date type. The drop-down list contains the following values: <ul style="list-style-type: none"> • Trade Date • Value Date • Estimated Trade Date • Real Settlement Date

Securities Report Window

The Securities Report window consists of a **Main** tab, as well as explanation and projection tabs that are created when an explanation or projection is run on a position in the Main tab.

Note

You can use the tab key on your keyboard to switch between tabs.

Note

For more information on the explanation tab, see *Explanations on page 139*. For information on the projection tab, see *Running Projections on page 143*.

User Guide

Main Tab

The **Securities Report Window** is shown in figure 7-2:

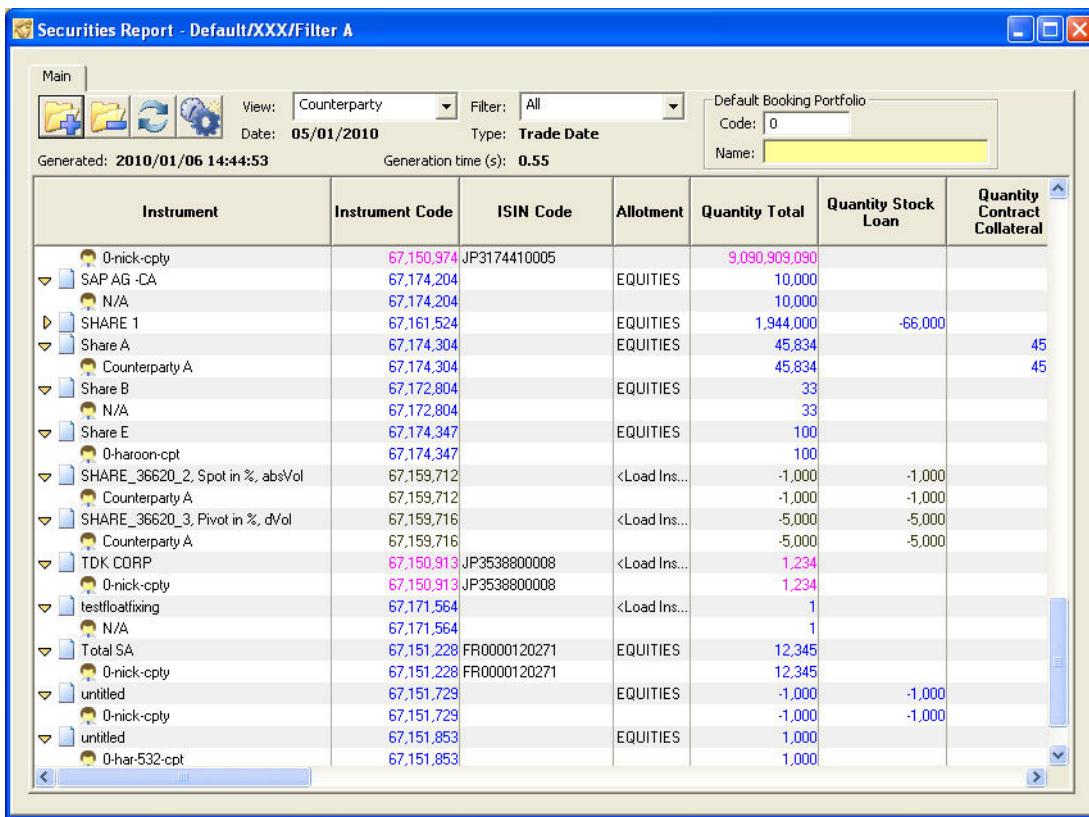


Figure 7-2 Securities Report window

Table 7-3 describes the icons in the **Securities Report** window toolbar:

Table 7-3 Icons in the Securities Report Window Toolbar (Sheet 1 of 2)

Icon	Name	Description
	Expand Folders	Expands the view of the deals in the report window.
	Collapse Folder	Collapses the view of the deals in the report window.
	Update Data	Manually updates data in the report window.

Table 7-3 Icons in the Securities Report Window Toolbar (Sheet 2 of 2)

Icon	Name	Description
	Change Report Date and Regenerate Report	Enables you to manually change the report date. Once the report date has been changed, and you have clicked the OK button, the report is automatically regenerated.
	New Event Received	Indicates that the corresponding instrument has received a new event, and the Securities Report window should be refreshed.

Table 7-4 describes the fields in the **Securities Report** window toolbar:

Table 7-4 Fields in the Securities Report Window Toolbar

Name	Description
View	<p>Specifies how data is displayed in the report. The list contains the following values:</p> <ul style="list-style-type: none"> • Counterparty • Entity • Entity/Counterparty • Flat • Portfolio • Portfolio (Top) <p>Note: You can customise views using the toolkit.</p> <p>Note: If Counterparty or Entity is selected, (Book) will replace the list of counterparties and entities for positions that involve only securities. This does not apply to stock loan or repo deals.</p>
Filter	<p>Filters the report by the following:</p> <ul style="list-style-type: none"> • All — all data is displayed. • Short — only short positions are displayed. • Short Book — only short positions and all positions where at least one of the portfolios is short
Date	Displays the date that the report was generated on. The default is the current date.
Generated	Displays the system date and time that the report was generated on.
Date Type	Displays the date type that was defined in the Securities Report Parameters dialog.

Table 7-5 describes the fields in the **Default Booking Portfolio** frame of the **Securities Report** window:

Table 7-5 Fields in the Default Booking Portfolio Frame

Name	Description
Code	Specifies the default portfolio where deals booked from an instrument in the Main tab are placed.
Name	The name of the specified portfolio. This text box is automatically populated when the portfolio code is entered into the Code text box.

Table 7-6 describes the columns in the **Securities Report** window:

Table 7-6 Columns in the Securities Report Window (Sheet 1 of 2)

Name	Description
Allotment	Specifies the instrument allotment.
Counterparty	Specifies the counterparty of the position.
Country	Specifies the country of the security.
Entity	Specifies the entity of the position.
ISIN Code	Specifies the instrument ISIN code.
Ident	Specifies the position identifier.
Instrument	Displays the name of the instrument.
Instrument Code	Specifies the code of the instrument.
Market Name	Displays the market of the instrument.
Market Rebate in %	Displays the product of the Credit Tax Paid and Financial Structure values specified in the Tax Credit window, in percent.
Market Spread	Displays the value from one of the following columns in the Repo margin window: <ul style="list-style-type: none">• Repo rate• Ask• Bid The Repo Curve preference in the Stock loan tab of the Preferences window enables you to specify from which column of the Repo margin window the market spread will take its value.
Maturity Date	Specifies the instrument maturity date.
Nb Days to Maturity	Specifies the number of days from the report date to the maturity date of the instrument.
Nb Days to Next Coupon	Specifies the number of days from the report date to the next ex-coupon date.

Table 7-6 Columns in the Securities Report Window (Sheet 2 of 2)

Name	Description
Next Adjustment Date	Shows the next adjustment date after the report date + 1.
Next Adjustment Type	Displays the adjustment type for the next adjustment date.
Next Corporate Action Type	Displays the next corporate action type for the next adjustment.
Next Coupon Value	Specifies the next coupon value corresponding to the next ex-coupon date.
Next Ex-Coupon Date	Displays the next coupon or dividend date.
Next Record Date	Shows the next dividend record date after the report date.
Notional	Displays the notional of bond instruments.
Place Name	Specifies the place of the instrument.
Portfolio	Specifies the portfolio of the position.
Quantity Book	Specifies the quantity of equity resulting from direct purchase/sale.
Quantity Collateral	Specifies the total quantity of collateral.
Quantity Contract Collateral	Specifies the quantity of equity in per contract collateral.
Quantity Pool Collateral	Specifies the quantity of equity in securities pool collateral.
Quantity Stock Loan	Specifies the quantity of lending/borrowing contracts.
Quantity Total	Specifies the total quantity of equity.
Reference	Specifies the security reference.

Launching the Securities Report

Generating a Report

To generate a Securities Report, do the following:

- 1 Click the **Securities Report** command from the **Collateral Mgt** menu.
The **Securities Report Parameters** dialog is displayed.
Note Figure 7-1 shows the **Securities Report Parameters** dialog.
- 2 Specify the filter criteria for the Securities Report.
For information on the fields in the **Securities Report Parameters** dialog, see *Securities Report Parameters Dialog on page 129*.
- 3 Click the **OK** button.
The **Securities Report** window is displayed, containing a securities report with the filter requirements that you defined. The title of the **Securities Report** window contains the model, entity and filter defined in the **Securities Report Parameters** dialog.

Figure 7-2 shows the **Securities Report** window.

- Note** You can open more than one instance of a Securities Report, even if the filter parameters are the same.

Securities Report Actions

This section describes the actions that you can perform in the **Securities Report** window. It contains the following:

- *Performing a Purchase/Sale on page 135*
- *Booking a Stock Loan on page 137*
- *Viewing Information about the Instrument on page 138*
- *Opening the Portfolio on page 138*
- *Loading Instrument Information on page 139*

Performing a Purchase/Sale

You can perform a purchase/sale on either an underlying or a position line in the report.

To perform a purchase/sale on an underlying line, do the following:

1 Right-click on the instrument on which you want to perform the purchase/sale.

2 Click the **Purchase/Sale** command from the context menu.

The **Deal Input** window for that instrument is displayed.

3 Enter the information into the **Deal Input** window and save the deal.

The deal is booked in the default portfolio defined in the main view of the Securities Report.

To perform a purchase/sale from a portfolio line, do the following:

1 Right-click on the portfolio line from which you want to perform the purchase/sale.

2 Click the **Purchase/Sale** command from the context menu.

The **Select a folio** dialog box is displayed. Figure 7-3 shows the **Select a folio** dialog box:



Figure 7-3 Select a folio dialog box

3 Select the folio to where the purchase/sale is booked.

The **Deal Input** window for the corresponding instrument is displayed.

4 Enter the information into the **Deal Input** window and save the deal.

Default Fields

The following fields are filled by default in the **Deal Input** window when a purchase/sale is performed:

- The **Entity** drop-down list.

The entity is either the entity defined as a filter for the Securities Report or, if no entity was defined, the entity of the instrument.

- The **Reference** text box.
The instrument upon which the purchase/sale is performed. The instrument is either the principal if the deal is a stock loan, or the collateral, if the deal is a repo with collateral as security.
- The **Quantity** text box.
The amount of available securities.

Booking a Stock Loan

You can book a stock loan from an instrument or portfolio in the **Main** tab of the Securities Report.

To book a stock loan from an instrument, do the following:

- 1 Right-click on the instrument on which you want to book the stock loan.
- 2 Click the **Lend/Borrow** command from the context menu.

The **Stock Loan Template Selector** dialog for that instrument is displayed.

Note

The default counterparty in the **Counterparty** drop-down list will be that one that was last specified in the **Stock Loan Template Selector**.

After you have selected the stock loan template and booked the subsequent stock loan deal, the deal is booked in the default portfolio defined in the **Default Booking Portfolio** frame of the Securities Report.

To book a stock loan from a portfolio, do the following:

- 1 Right-click on the portfolio line from which you want to perform the purchase/sale.
- 2 Click the **Lend/Borrow** command from the context menu.

The **Select a folio** dialog box is displayed. Figure 7-3 shows the **Select a folio** dialog box.

- 3 Select the folio to where the deal is booked.

The **Stock Loan Template Selector** dialog is displayed.

After you have selected the stock loan template and booked the subsequent stock loan deal, the deal is booked in the portfolio that you selected in the **Select a folio** dialog box.

Default Fields

The following fields are filled by default in the **Stock Loan / Repo Input** window when a stock loan deal is created from the Securities Report:

- The **Entity** drop-down list.
The entity is either the entity defined as a filter for the Securities Report or, if no entity was defined, the entity of the instrument.

- The **Principal Ref** text box.
The instrument is either the principal if the deal is a stock loan, or the collateral, if the deal is a repo with collateral as security.
- The **Quantity** text box.
The amount of available securities.
- The **Collateral** drop-down list.
This field is only filled with the default collateral if the stock loan is a Security vs Security stock loans that has collateral defined in the stock loan template for the deal.

Viewing Information about the Instrument

You can view information about an instrument by selecting the **Information** command from the context menu of the selected instrument.

Opening the Portfolio

To open the portfolio from the a folder in the Securities Report, do the following:

- 1 Right-click on the folder whose portfolio you want to open.
- 2 Click the **Open Portfolio** command from the context menu.

The corresponding portfolio window is displayed.

Refreshing the Securities Report

To refresh the **Securities Report**, click the **Refresh** button in the toolbar.

The Confirmation dialog box is displayed, as shown in figure 7-4:

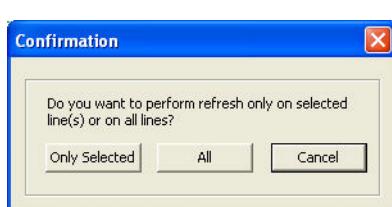


Figure 7-4 Confirmation dialog box to refresh the Securities Report

The following options are available:

- **Only Selected** — only the selected lines are refreshed.
- **All** — all lines in the report are refreshed.
- **Cancel** — the refresh operation is cancelled.

Note

If a new event is received while the **Securities Report** window is open, the icon next to the affected instrument changes to the **New Event Received** icon. See table 7-3. This indicates that a refresh should be performed.

Loading Instrument Information

You can load instrument information for one or all instruments in the **Main** tab of the Securities Report. To load information, click one of the following commands in the context menu:

- Load All Instruments Information — loads information for all instruments in the Securities Report.
- Load This Instruments Information — loads information for the selected instrument in the Securities Report.

Explanations

This section describes Securities Report explanations. Explanations provide position-level information for specific instruments. It contains the following:

- *Explanation Tab User Interface on page 140*
- *Launching Explanations on page 141*
- *Explanation Tab Tasks on page 141*
- *Managing Stock Loan Contracts on page 143*

Explanation Tab User Interface

Figure 7-5 shows the explanation tab for SHARE 1:

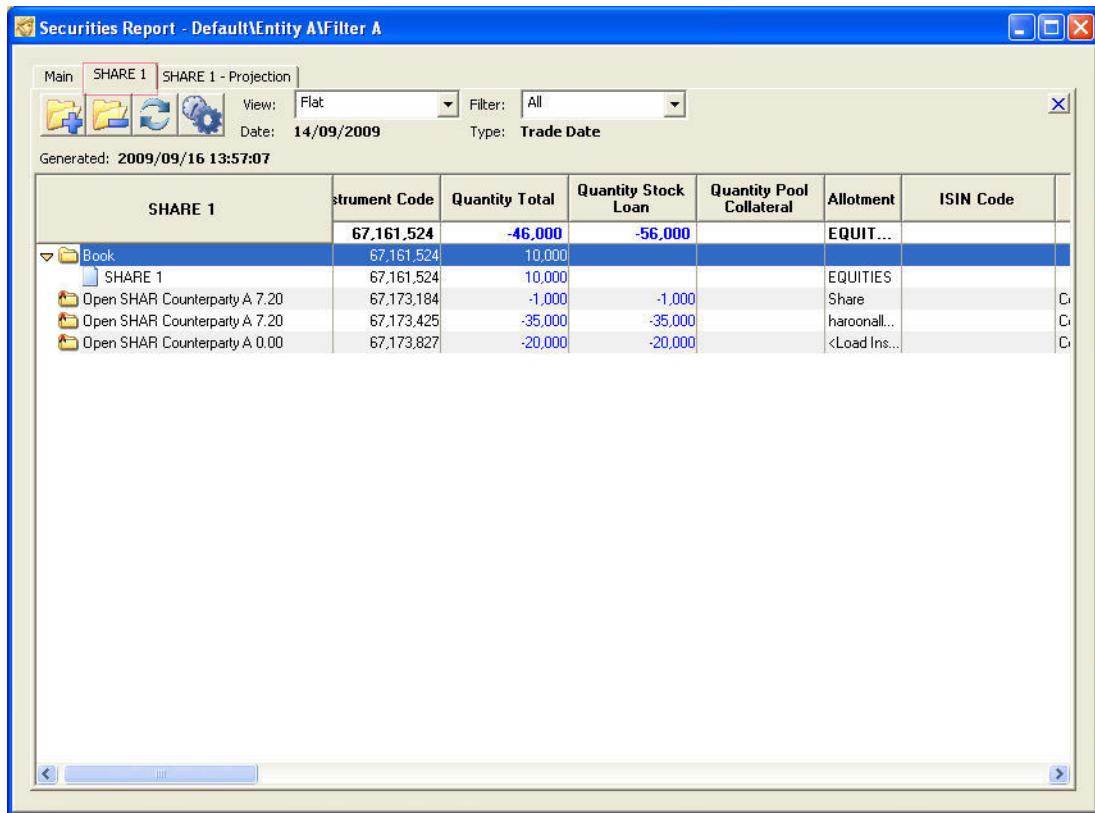


Figure 7-5 Explanation tab for SHARE 1

The explanation tabs contains several of the same columns as the main **Securities Report** window. For information about these columns, see table 7-6.

Table 7-7 describes the columns unique to the explanation tabs in the **Securities Report** window:

Table 7-7 Columns in the Explanation Tabs (Sheet 1 of 2)

Name	Description
Billing Frequency	Specifies the billing frequency of the contract.
Commission Type	Specifies the commission type of the contract.
Contract Type	Specifies the contract type.
Convention Type	Specifies the convention type.
Instrument Code	Specifies the code of the underlying instrument.
Market Rebate	Specifies the market rebate for the contract.
Market Spread	Specifies the market spread for the contract.

Table 7-7 Columns in the Explanation Tabs (Sheet 2 of 2)

Name	Description
Position Link	Specifies the position link.
Start Date	Specifies the start date.

Launching Explanations

To view an explanation for an instrument, do the following:

- 1 Right-click on the instrument whose explanation you want to view.
- 2 Click the **Explanation** command from the context menu.

An explanation tab is displayed in the **Securities Report** window. The title of the tab is the name of the instrument.

Explanation Tab Tasks

You can perform several tasks from the context menu in the explanation tab of the Securities Report window.

Figure 7-6 shows the general context menu for the explanation tab:



Figure 7-6 Explanation tab context menu

Table 7-8 describes the commands on the explanation tab context menu:

Table 7-8 Context Menu Commands (Sheet 1 of 2)

Name	Description
Projection	Runs the projection for the selected position. For more information, see <i>Running Projections on page 143</i> .
Open Portfolio	Opens the portfolio for the selected position.
Cancel and Create Again	Cancels an existing stock loan contract and creates it again.
Commission Modification	Re-defines and generates new commission for stock loans that accept margin calls.
Duplicate	Creates a duplicate of an existing stock loan or repo.
Manage Contract	Opens the Stock Loan and Repo contract management window.
Maturity Modification	Opens the Maturity Modification window, which changes the maturity date of the stock loan or repo.
Modify Contract	Enables you to modify the parameters of the selected contract.
Partial Return	Opens the Partial Return window, which returns a portion of the principal, and also a portion of the collateral, depending on the collateral type.
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: <ul style="list-style-type: none"> • Convention • Counterparty • Entity
Show Current Contract	Opens the current contract of the selected stock loan position.
Show Initial Contract	Opens the initial contract of the selected stock loan position.
Spot Modification	Opens the Spot Modification window, which changes the spot of the underlying of the stock loan.
Collateral/Repo Spread Modification	Opens the Collateral/repo Spread Modification window, which allows you to modify the spread of the collateral.
BO Status Report	Opens the Status Report for position window for the selected position.
Corporate Action	Opens the Adjustment of window.
External Operation Reference	Displays the external operation reference. You can modify this reference in the Operation Reference text box.

Table 7-8 Context Menu Commands (Sheet 2 of 2)

Name	Description
Information	Enables you to view information about the selected instrument or position.
Internal Operation Reference	Displays the internal operation reference. You can modify this reference in the Operation Reference text box
Show	Opens the Movement window for the selected position. Note: You can also open the Movement window for the position by double-clicking on that position.
User Comment	Opens the User comment dialog box, allowing you to add a comment.
XML Report Copy	Generates an XML file that can be pasted into a text editor.

Managing Stock Loan Contracts

You can manage and view contracts of stock loan positions in the explanation tabs by clicking on the following commands in the context menu, as shown in figure 7-7:



Figure 7-7 Commands for managing and view stock loan positions

Note

These context menu commands are only available for stock loan positions.

- **Manage Contract** — opens the **Stock Loan and Repo contract management** window, which allows you to perform portfolio-level tasks on one or more stock loan deal. For information on the **Stock Loan and Repo contract management** window, see the *Advanced Stock Loan Guide*.
- **Show Current Contract** — opens the current contract of the selected stock loan position.
- **Show Initial Contract** — opens the initial contract of the selected stock loan position.

Running Projections

You can launch future quantities projections on specific instrument in the Securities Report. Projections show information about the projected change in quantities across book, lending/borrowing, and collateral. The information also takes additional running costs, such as contract calculations, into account.

This section describes Securities Report projections. It contains the following:

- *Projection Tab User Interface on page 144*
- *Launching Projections on page 145*

Projection Tab User Interface

Figure 7-8 shows the projection tab of the Securities Report

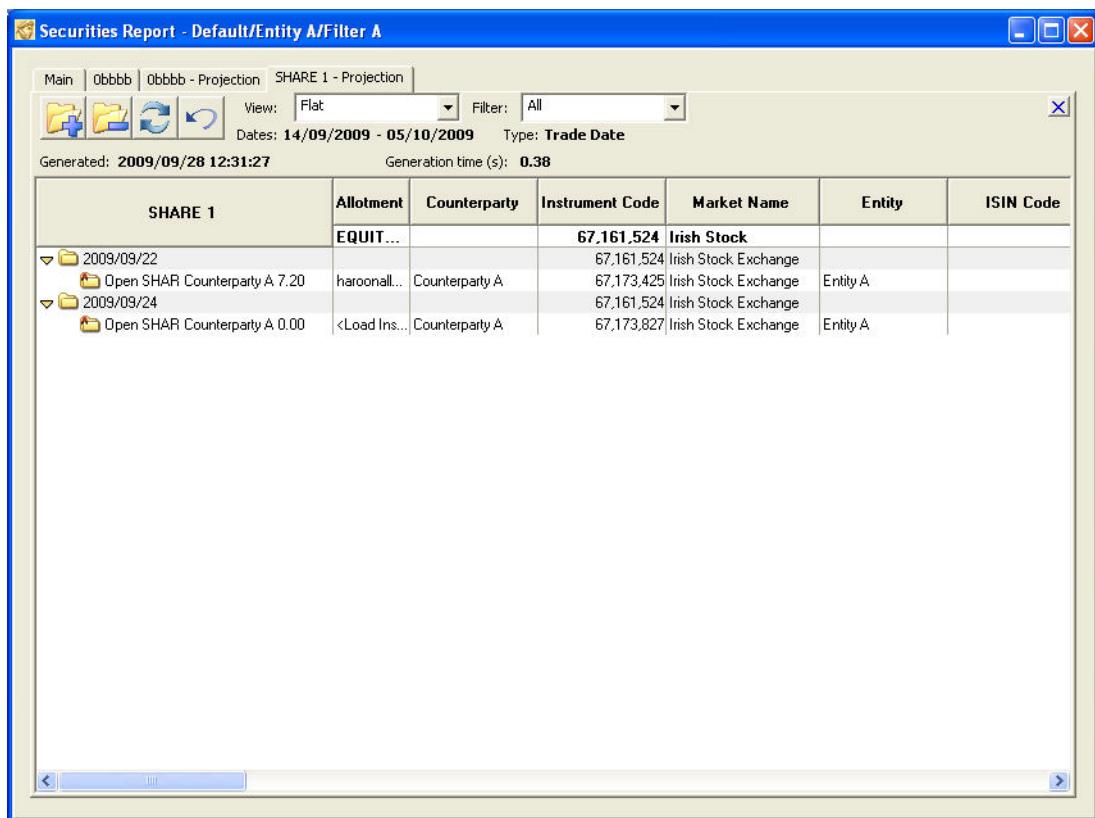


Figure 7-8 Projection tab in the Securities Report

The projection tabs contains several of the same columns as the main **Securities Report** window. For information about these columns, see table 7-6.

Table 7-9 describes the columns unique to the projections tabs in the **Securities Report** window:

Table 7-9 Columns in the Projections Tabs (Sheet 1 of 2) (Sheet 1 of 2)

Name	Description
Total Line	Displays the total quantity for each column in the projection tab. This line is always displayed at the top.

Table 7-9 Columns in the Projections Tabs (Sheet 2 of 2) (Sheet 2 of 2)

Name	Description
Delta Book	Displays the book quantity booked in the future.
Delta Collateral	Displays the collateral quantity booked in the future.
Delta Contract Collateral	Displays the contract collateral quantity booked in the future.
Delta Pool Collateral	Displays the pool collateral quantity booked in the future.
Delta Stock Loan	Displays the stock loan quantity booked in the future.
Delta Total	Displays the total quantity booked in the future.
Projection Book	Displays the total book quantity, current + future.
Projection Collateral	Displays the total collateral quantity, current + future.
Projection Contract Collateral	Displays the total contract collateral quantity, current + future.
Projection Pool Collateral	Displays the total pool collateral quantity, current + future.
Projection Stock Loan	Displays the total stock loan quantity, current + future.
Projection Total	Displays the total quantity, current + future.

Launching Projections

To launch a projection, do the following:

- 1 Click the **Projection** command from the context menu of the contract that you want to run a projection for.

Note

You can launch a projection from both the **Main** and explanation tabs of the Securities Report.

The projection tab for that contract is displayed, as shown in figure 7-8.

Chapter 8 Margin Calls

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

The chapter contains the following sections:

- *Margin Calls on page 147*
 - *Types of Margin Calls on page 148*
 - *Guidelines for Performing Margin Calls on page 148*
 - *Performing Cash Margin Calls on page 149*
 - *Performing Securities Margin Calls on page 152*

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.

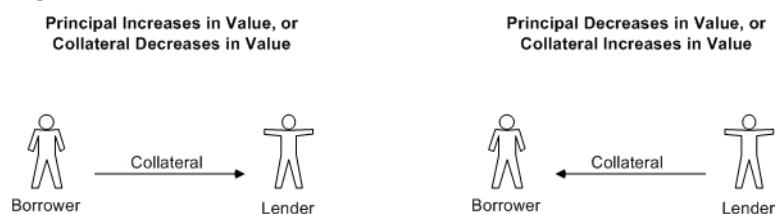


Figure 8-1 Relationship between asset value changes and collateral transfers

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. See *Defining Limits for Collateral on page 82*.

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. See *Credit Risk Management Tasks on page 98*.
- The **Collateral Limits Calculation** window.

Figure 8-2 shows the **Cash Margin Call** window:

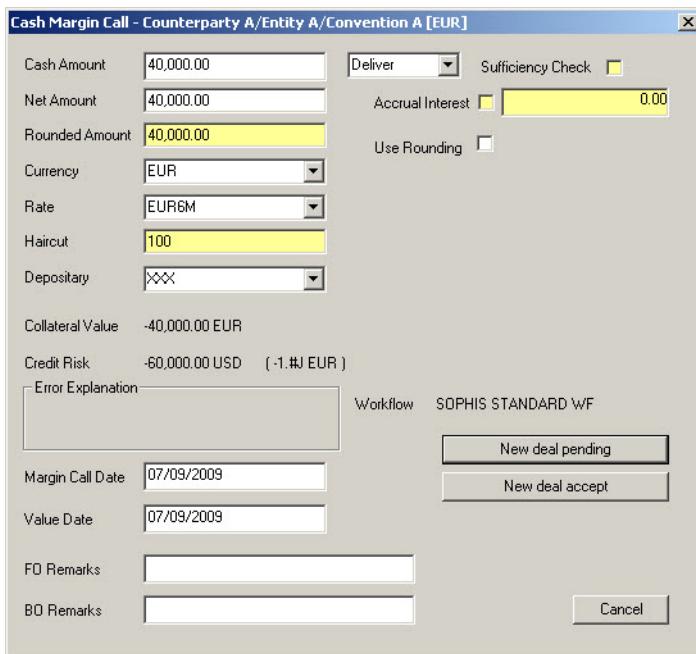


Figure 8-2 Cash Margin Call window

The **Cash Margin Call** window has the following fields:

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 <i>Performing Securities Margin Calls on page 152</i> .
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 depository 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

To perform a cash margin call, do the following:

- 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:

- 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.

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:

$$- Principal\ Value + Collateral\ Value = 1200 - 1200 = 0$$

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:

$$- Principal\ Value + Collateral\ Value = 960 - 1200 = -240$$

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 **Detailed Limits Report** window. See *Credit Risk Management Tasks on page 98*.

Figure 8-3 shows the **Securities Margin Call** window:

Figure 8-3 Securities Margin Call window

Table 8-3 describes the fields of the **Securities Margin Call** window:

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.
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 check box 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.

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

Name	Description
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.

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:

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** window 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).

Index

A

- Advanced Stock Loan Module
 - selecting 56
- Allotments
 - collateral conventions 13
- Assets
 - collateral 64
 - principal 68
- Auditing 17
 - collateral agreements 50
 - collateral conventions 29
 - convention selector 35

C

- Calculating
 - credit risk 14, 85
- Cash Margin Calls
 - performing 149
- Collateral
 - adjusting value 16, 147
 - agreements 13
 - conventions 13
 - credit risk 85
 - description 11
 - managing 11
 - margin calls 11
 - portfolios 19
 - value 11
- Collateral Agreement Parameters 73
- Collateral Agreement Parameters
 - Collateral Stocks Tab 61
 - Credit Risk Calculation Tab 56
 - Fees and Interest Tab 69
 - General Tab 54
 - Margin Call Tab 59
 - Principal Stocks Tab 65

Collateral Agreements

- auditing 50
- conventions 13
- creating 47
- deleting 50
- description 13
- duplicating 49
- modifying 48
- parameters 53
- purpose 42
- viewing 45, 52

Collateral Call Tab 73

Collateral Conventions

- auditing 29
- collateral 13
- collateral convention groups 31
- creating 29
- deleting 29
- instruments 32
- purpose 27
- viewing 28

Collateral Limits

- defining 82
- operators 84

Collateral Limits Calculation

- columns 86
- credit risk results 88
- including closed positions 92
- margin calls 91
- strict agreement filtering 93
- value 83, 85

Collateral Management

- agreements 13
- conventions 13
- description 11
- haircuts 14
- margin calls 16, 147
- tri-party agreements 13
- user rights 22

Collateral Management Agreements

- user rights 24

Collateral Pool Report 112

Collateral Portfolios

- creating 20
- margin calls 17, 148, 151, 154

C	
Collateral Stocks	
selecting.....	64
Collateral Stocks Tab.....	61
Convention Selector	
auditing	35
Conventions	
collateral	27
instruments	35
Creating	
collateral agreements	47
collateral conventions	29
collateral portfolios	20
instrument-convention links	34
Credit	
calculating risk.....	14
collateral	11
Credit Risk	
calculating	85
current exposure.....	85
filtering results	90
viewing results.....	88
Credit Risk Calculation Tab.....	56
D	
Defining	
collateral limits	82
Deleting	
collateral agreements	50
collateral conventions	29
instrument-convention links	35
E	
Example	
margin calls.....	151
F	
Fees and Interest Tab	69
Filtering	
credit risk results	90
G	
General Tab	54
guide	
about	7
documentation.....	7
H	
Haircuts.....	15
collateral management.....	14
Hedging	15
I	
Instrument-Conventions Links	
creating.....	34
deleting.....	35
purpose.....	32
viewing	33
Instruments	
collateral conventions	32
collateral management.....	11
conventions	
Assigning	
convention to instruments ..	35
K	
Kernel Blotters	
buttons.....	43
L	
Limits	
operators	84
M	
Margin Call Tab.....	59
Cash Collateral Remuneration	60
Margin Call Rounding Preferences	61
Margin Calls	
collateral.....	11, 16, 147
example.....	151
Modifying	
collateral agreements	48
O	
Operators	
limit rules	84
P	
Parameters	
collateral agreements	53
Performing	
cash margin calls.....	149
security margin calls.....	152

Portfolios	
collateral	11, 19
Principal Stocks	
selecting.....	68
Principal Stocks Tab	65
R	
Risk	
credit.....	14
S	
Security Margin Calls	
performing	152
Selecting	
collateral assets.....	64
principal assets.....	68
T	
Third Parties	
collateral agreements.....	52
Tri-party	
description	13
U	
User Rights	
Collateral Management	22
collateral management	22
Collateral Management Agreements	
24	
levels.....	22
V	
Viewing	
collateral agreements.....	45
collateral conventions.....	28
credit risk.....	88
instrument-convention links	33
W	
Warning Message	
database error-no rows	30
Widows	
Collateral Management Agreements	
53	
Windows	
Cash Margin Call.....	149, 151
Collateral Convention Selector	33
Collateral Conventions	28
Collateral Limits Calculation.	88, 154
Collateral Management Agreements	
46,	77
Collateral Management Audit History	51
Collateral Management Parameters	
46,	53, 77
Collateral management Parameters	
48	
Folder Entry	20
General List	36
History for Collateral Convention	
29, 35	
History for Collateral Conventions	30
New Agreement	48
Rules for Collateral.....	82, 83
Securities Margin Call.....	154
Third Parties	53
Users.....	25

