The background features a teal gradient with a subtle grid pattern. In the upper left, there are silhouettes of several people standing in a row. In the lower left, a 3D-style globe is positioned, showing the outlines of continents against a dark teal background.

Trade Life Cycle Management in FinPricing: Part 3

FinPricing



Trade Lifecycle

A trade, also called a deal, is an exchange of financial products from one entity to another. The life cycle of a trade is the fundamental activity of exchanges, investment banks, hedge funds, pension funds and many other financial companies.

All the steps involved in a trade, from the point of order placed and trade execution through to settlement of the trade, are commonly referred to as the trade life cycle. Trade life cycle consists of a series of logical stages and steps.

Summary

- Trade Lifecycle Introduction
- Trade Capture in FinPricing
- Trade Valuation and Validation in FinPricing
- Trade Payment Settlement
- Trade Termination



Trade Lifecycle Introduction

- Pre-sale stage: Marketing persons from investment banks, brokers and dealers introduce various financial products and vehicles to clients. Investors or institutional fund managers survey the market and find the most suitable and competitive products.
- Trade execution: After trading negotiations between seller and buyer, an order is placed and the trade is executed. The completion of a buy or a sell order of a financial product is known as Trade Execution.
- Trade Capture: After trade execution, the trade is booked in the Front Office system, Middle Office Risk Management system and Back Office system.

Trade Lifecycle Introduction (cont'd)

- Trade Validation and Confirmation: Back office validates trade attributes and confirms trade settlement. Risk Management checks the valuation, risks and limits.
- Trade Settlement: Any fee or premium needs to be settled. For a periodic cash settlement trade, such as interest rate swaps or bonds, there is a process of simultaneous exchange of cash between parties at each payment date.
- Trade Termination: A trade may be expired at maturity or terminated early. The early termination could be caused by a position sell or triggered by an early termination provision, such as auto call/cancel, knock-out, etc.

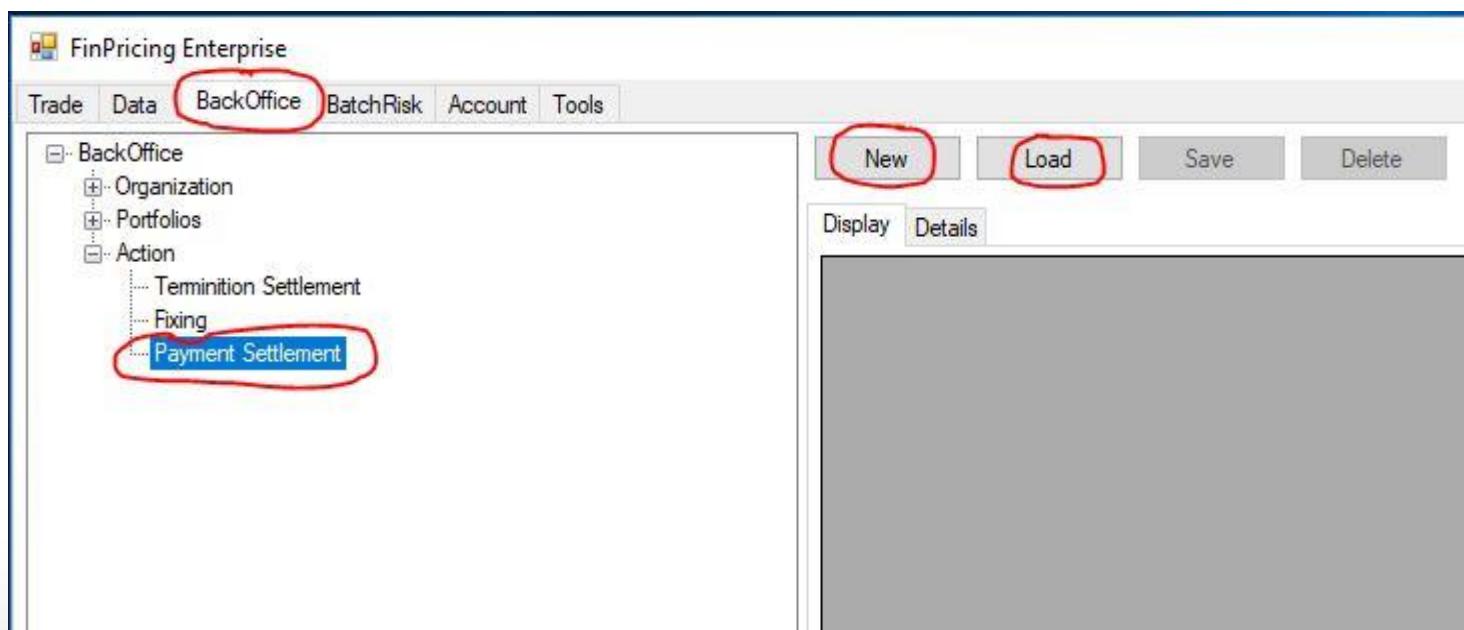
Trade Payment Settlement

- This is the process of simultaneous exchange of cash payments or assets periodically between two parties for derivatives (such as swaps) or securities (such as bonds). In the EOD process, FinPricing will automatically compute the cash payments at each payment date for a periodic payment instrument. However, the system also provides an interface for a user to settle or modify cash payment manually.
- Click the BackOffice tab at the top-left corner of the application. Then, expand BackOffice -> Action and select the Payment Settlement.



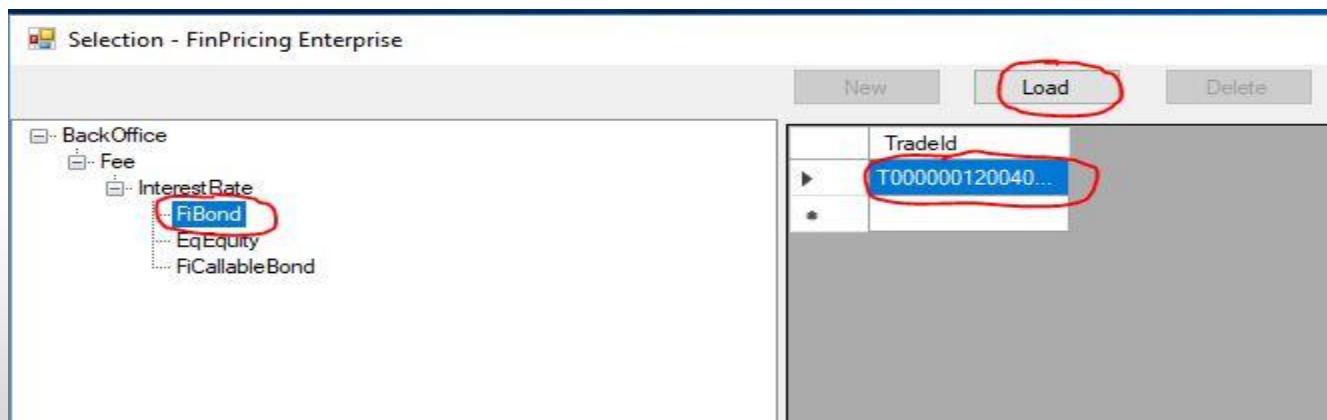
Trade Lifecycle

Trade Payment Settlement (Cont'd)



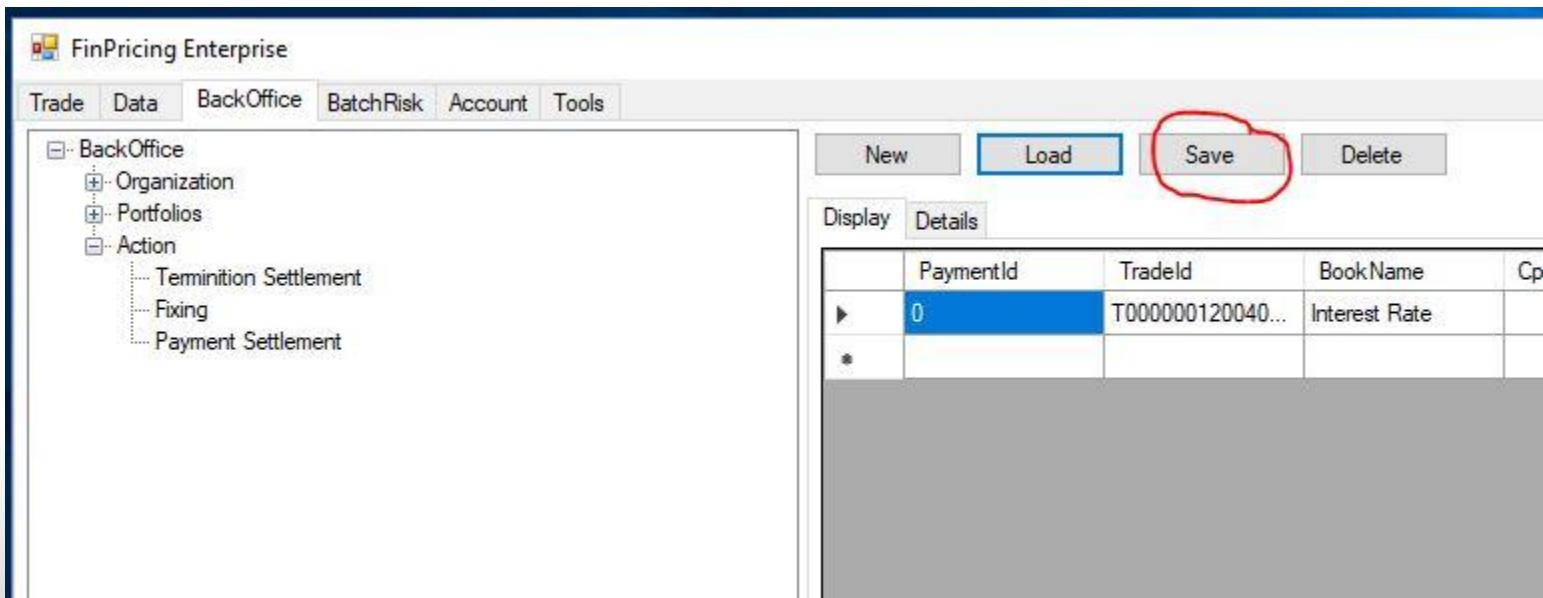
Trade Payment Settlement (Cont'd)

- After that, you can either click the Load button to load an existing payment settlement for review/modification or the New button to generate a new cash settlement.
- If you click the Load button, a selection window pops up. Expend BackOffice -> Fee -> Book (e.g., Interest Rate) and select a product (e.g., FiBond). All the bond trades having cash settlements within this book are displayed in the main windows



Trade Payment Settlement (Cont'd)

- Select a trade and then click the Load button. All the payment settlements of the trade are displayed in the main windows. You can modify the settlements and click the Save button to save all the changes.



The screenshot shows the FinPricing Enterprise application window. The title bar reads "FinPricing Enterprise". The menu bar includes "Trade", "Data", "BackOffice", "BatchRisk", "Account", and "Tools". The "BackOffice" menu is expanded, showing "Organization", "Portfolios", and "Action". Under "Action", there are "Termination Settlement", "Fixing", and "Payment Settlement". On the right side, there is a toolbar with buttons for "New", "Load", "Save", and "Delete". The "Save" button is highlighted with a red oval. Below the toolbar is a tab bar with "Display" and "Details" tabs, with "Details" selected. A table is displayed with columns: PaymentId, TradeId, BookName, and Cp. The first row shows PaymentId 0, TradeId T000000120040..., BookName Interest Rate, and Cp. The second row is a blank row with empty cells.

	PaymentId	TradeId	BookName	Cp
▶	0	T000000120040...	Interest Rate	
*				



Trade Lifecycle

Trade Payment Settlement (Cont'd)

- Or if you click the New button, a selection window pops up. Expend BackOffice -> Fee -> Book (e.g., Interest Rate) and select a product (e.g., FiBond). All the bond trades within this book are displayed in the main windows.

Selection - FinPricing Enterprise

New Load Delete

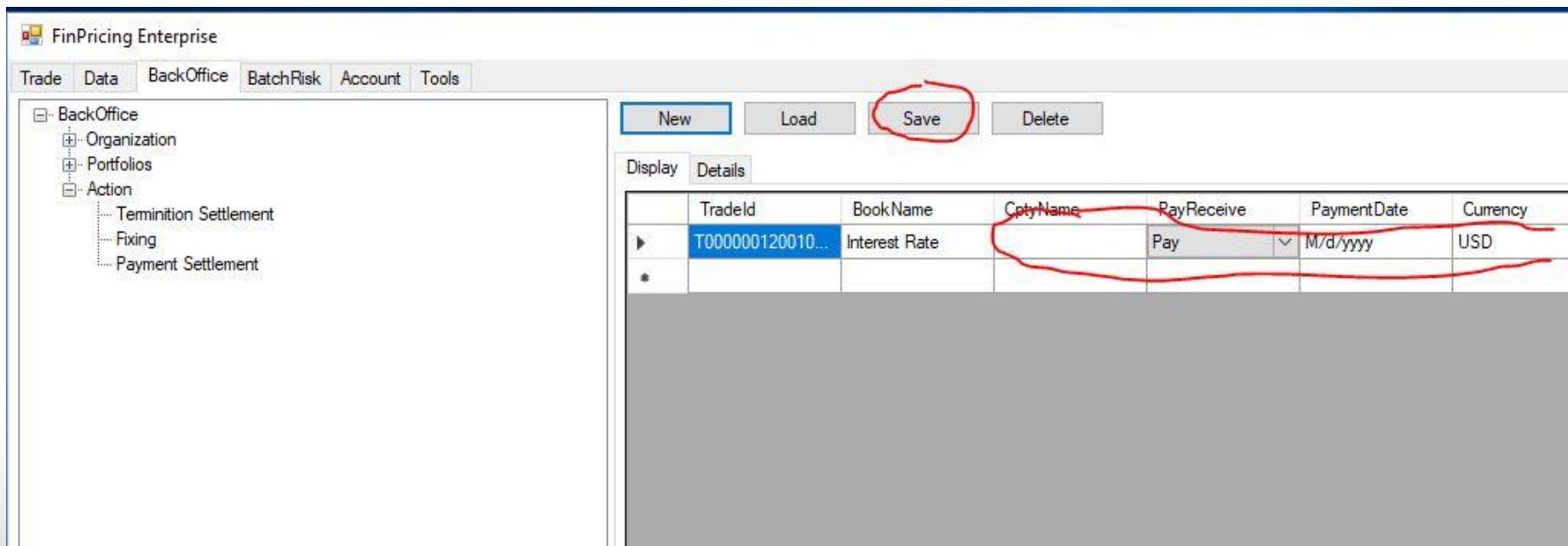
TradeId
T000000120010...
*

BackOffice

- Fee
 - InterestRate
 - EqEquity
 - FiBond
 - FiCallableBond
 - FxFuture
 - FxOption
 - FxSpot
 - IrFra
 - IrSwap
 - IrSwaption
 - MmProduct
- Mike

Trade Payment Settlement (Cont'd)

- Select a trade and click the New button. A new payment settlement template is shown in the main window. Fill all fields and click the Save button. The new payment settlement is created.

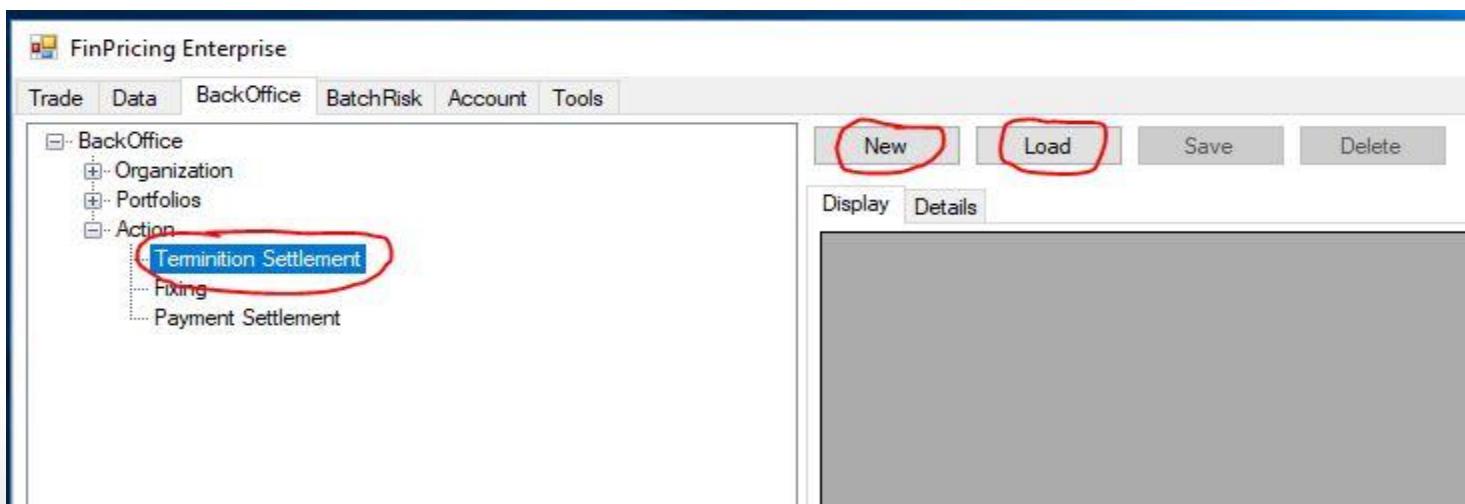


The screenshot shows the FinPricing Enterprise application window. The menu bar includes File, Trade, Data, BackOffice, BatchRisk, Account, and Tools. The BackOffice tab is selected. On the left, a tree view shows categories like BackOffice (Organization, Portfolios), Action (Termination Settlement, Fixing, Payment Settlement), and a selected item 'T000000120010...'. The main area has tabs for New, Load, Save (circled in red), and Delete. Below is a Details tab. A table displays columns: TradeId, BookName, CptyName, PayReceive (circled in red), PaymentDate, and Currency. The first row shows 'T000000120010...' in TradeId, 'Interest Rate' in BookName, and 'Pay' in PayReceive. The second row is a blank entry with an asterisk (*) in the first column.

	TradeId	BookName	CptyName	PayReceive	PaymentDate	Currency
>	T000000120010...	Interest Rate		Pay	M/d/yyyy	USD
*						

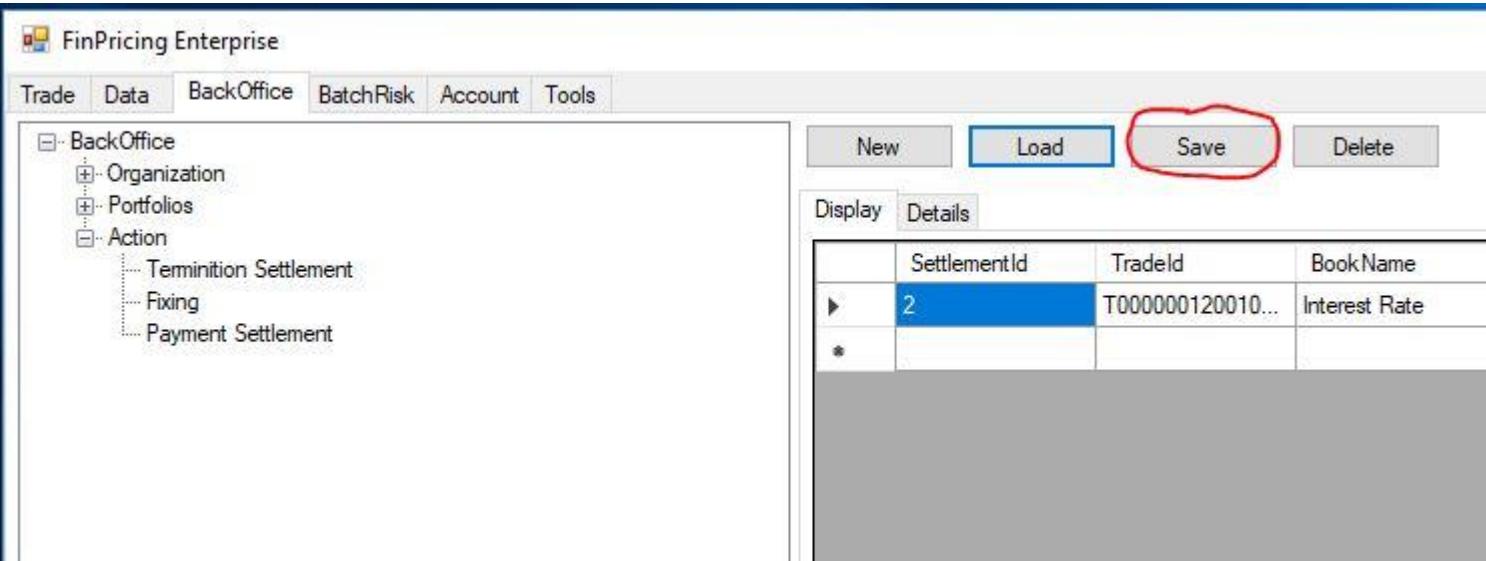
Trade Termination

- A security or derivatives could be expired, early terminated or sold. FinPricing allows a user to terminate trades flexibly.
- Click the BackOffice tab at the top-left corner of the application. Then, expend BackOffice -> Action and select the Termination Settlement.



Trade Termination (Cont'd)

- Select a terminated trade and then click the Load button. The termination details of the trade are displayed in the main windows. You can modify the termination information and click the Save button to save all the changes.



The screenshot shows the FinPricing Enterprise application interface. The window title is "FinPricing Enterprise". The menu bar includes "Trade", "Data", "BackOffice", "BatchRisk", "Account", and "Tools". The "BackOffice" tab is selected. On the left, a tree view shows "BackOffice" expanded, with "Organization", "Portfolios", and "Action" nodes. "Action" is expanded, showing "Termination Settlement", "Fixing", and "Payment Settlement". The main area has two tabs: "Display" and "Details". The "Details" tab is active, showing a table with three columns: "SettlementId", "TradeId", and "BookName". A single row is present with SettlementId 2, TradeId T000000120010..., and BookName Interest Rate. The "Load" button is highlighted with a blue border, and the "Save" button is circled in red. Other buttons include "New" and "Delete".

	SettlementId	TradeId	BookName
▶	2	T000000120010...	Interest Rate
*			



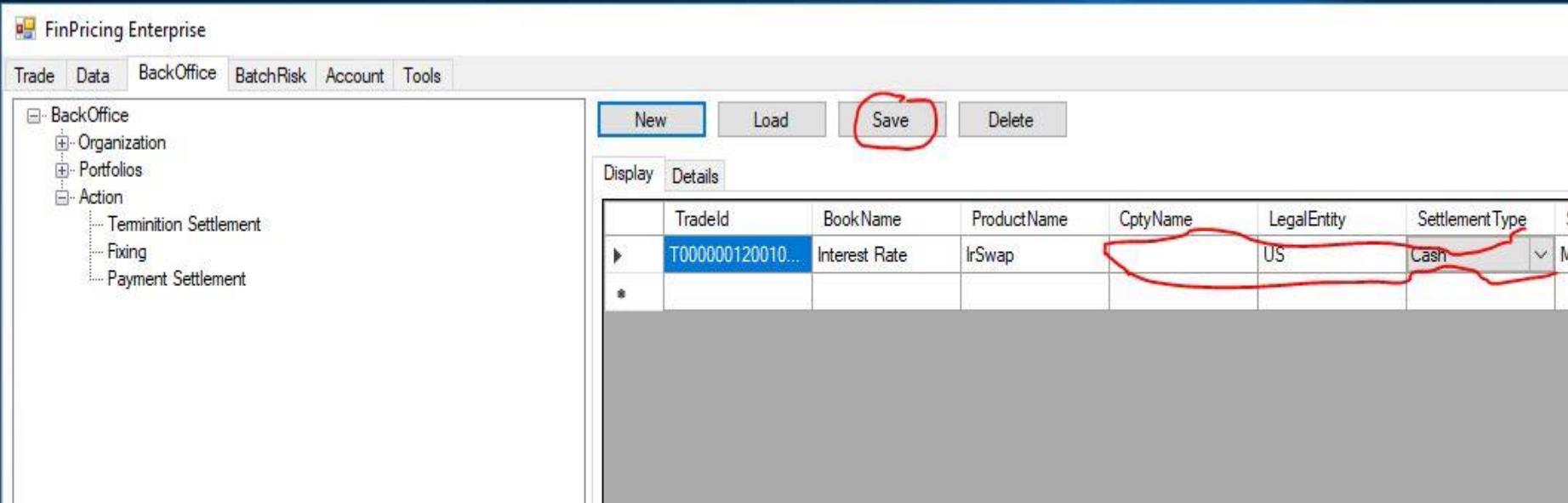
Trade Lifecycle

Trade Termination (Cont'd)

- Or if you click the New button, a selection window pops up. Expend BackOffice -> Settlement -> Book (e.g., Interest Rate) and select a product (e.g., IrSwap). All the interest rate swap trades within this book are displayed in the main windows.

Trade Termination (Cont'd)

- Select a trade and click the New button. A new trade termination template is shown in the main window. Fill all fields and click the Save button. The trade is terminated.



The screenshot shows the FinPricing Enterprise application interface. The title bar reads "FinPricing Enterprise". The menu bar includes "Trade", "Data", "BackOffice", "BatchRisk", "Account", and "Tools". The "BackOffice" tab is selected. On the left, a tree view under "BackOffice" shows "Organization", "Portfolios", and "Action". Under "Action", there are "Termination Settlement", "Fixing", and "Payment Settlement". The main window has four tabs: "Display" (selected), "Details", "New", "Load", and "Save". The "Save" button is circled in red. A table below shows trade details. The first row has columns: TradeId, BookName, ProductName, CptyName, LegalEntity, SettlementType, and S. The second row has columns: T000000120010..., Interest Rate, lrSwap, (empty), US, Cash, and M. The third row has columns: * (empty), (empty), (empty), (empty), (empty), (empty), and (empty).

	TradeId	BookName	ProductName	CptyName	LegalEntity	SettlementType	S
▶	T000000120010...	Interest Rate	lrSwap	(empty)	US	Cash	M
*							



Thank You

You can find more details at

<https://finpricing.com/lib/CdCreditSpreadCurve.html>