



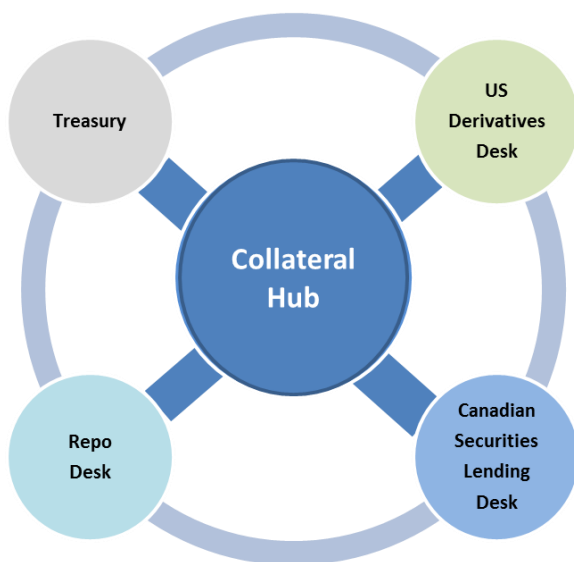
CASE STUDY:
NORTH AMERICAN
BUY SIDE FIRM

Case Study - North American Beneficial Owner

4sight's client is a North American financial services group with assets under management of over US\$500 billion. The customer had been using 4sight Securities Finance since 2006 for US and Canadian fixed income agency securities lending and borrowing.

Background to the Project

In 2009 the client enquired if 4sight supported CSA collateral management and collateral optimisation. It had a well-established derivatives trading operation under CSA agreements at one of its US sites. In addition, the client ran stock loan and repo inventory from another Canadian site, from where it also sourced collateral for the CSAs. The customer wanted to optimise the flows of collateral between these businesses.



The Project

The client initiated a project to identify the best solution to meet the following objectives:

- Model the CSA eligibility schedules and concentration limits.
- Run scenarios daily, based on the eligibility schedules and concentration limits. These scenarios would allow them to optimise/reallocate the collateral portfolio provided to cover the derivatives team's CSA exposures.

After an evaluation of different providers, the client selected 4sight to provide consultancy. The customer wanted to determine if a combination of the inventory management interface of 4sight Securities Finance, 4sight's collateral optimisation solution and the Xpose CSA Module could provide the optimum solution within a single system.

As a result, 4sight won the mandate to provide these three modules as a specifically tailored solution to address the client's needs.

The customer selected 4sight Xpose because of the ability to support cross product securities lending, repo and CSA collateral management effectively in a unified solution. The strong working relationship we had developed with the customer as a long term user of 4sight Securities Finance was also a key element in awarding the project, along with the depth of 4sight's collateral management knowledge. The strength of cross product optimisation functionality available in the system was also a deciding factor in the selection process.

Benefits Achieved from 4sight's Collateral Optimisation Module

We recently asked our client for feedback on the benefits of using the 4sight collateral optimisation tool.

The feedback we gained was that the system provides the following benefits:

- "4sight saves the desk considerable time in the selection of collateral. 4sight has allowed us to pool the relevant information (CSA conditions, positional holdings and location, security static data, etc.) in one location. Previously we were sourcing the information from multiple places. "
- "4sight the system has done a good job of ensuring that we don't accept ineligible collateral or exceed concentration limits. Hopefully one doesn't experience a counterparty default but should it happen, the desk has confidence that we are compliant with our legal agreements."
- "4sight makes it easy for the desk to hold back more liquid assets to be used for other purposes."
- "4sight has been flexible enough to adapt to our needs. We are able to do our securities lending, repo, OTC and exchange swap collateral all from one system. Thus we're able to avoid conflicts between various internal groups: securities lending, OTC swap collateral, exchange-traded margin requirements, repo/reverse repo transactions, liquidity and financing needs."

Central Clearing

In a further phase of the project, 4sight developed an automated feed of collateral eligibility schedules from CME to support the customer's centrally cleared derivative trading under Dodd Frank. This involved developing a direct link with CME, which automatically updates the collateral schedules in the 4sight system on demand whenever the CME schedules change. The system then auto-updates all pools and movements' haircuts and re-values the portfolios.

The customer also recently began using the 4sight system to track pledges with the Bank of Canada's LVTS and FHLB funding facilities

Further Information

For further information on 4sight's collateral management and collateral optimisation solutions please see our website:

Collateral Management: <http://www.4sight.com/products/4sight-collateral-management>

Collateral Optimisation: <http://www.4sight.com/products/4sight-collateral-management/collateral-optimization>

