

SLIB COUNTERPARTY RISK

GENERAL OVERVIEW

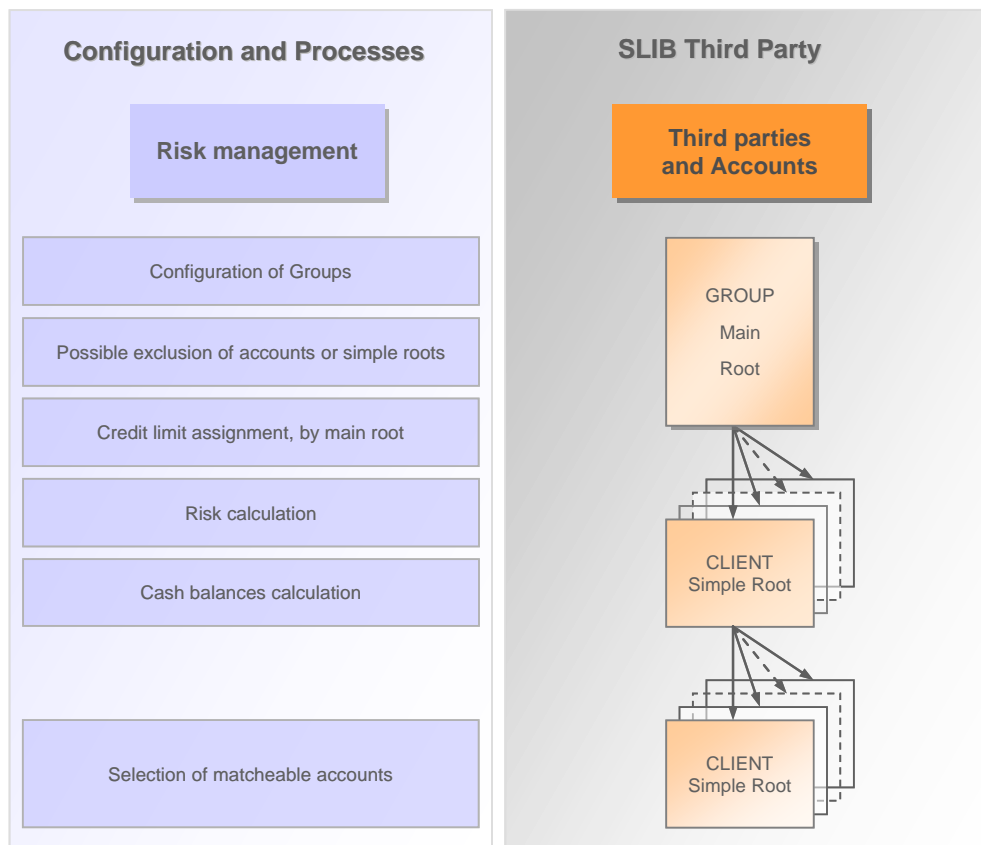
Broker / Dealer - RTO activities naturally induce a counterparty risk related to counterparty solvability faults or non-settlement of an operation because of a counterparty.

In order to assess this risk at any time and in real time, SLIB Counterparty Risk evaluates security and cash positions in settlement and compares them with the credit limits previously established for each client / counterparty and for each product.

KEY BENEFITS

- The notions of main root and simple root of SLIB's Third Party module enable definition of groups of client accounts specific to the client company or counterparty activity
- This product reports highlight user configuration faults and include configuration assistance reports
- A specific algorithm enables monthly settlement flow compensation
- Liabilities are calculated at "marked-to-market" value
- Amounts are converted in the reference currency of your accounting system

FUNCTIONS



Configuration

Credit limits for each client / counterparty and each product are set using SLIB's third party and accounts reference system, SLIB Third Party. The product is a combination of the type of market (cash, monthly settlement) and the type of financial instrument (share, bond, etc.).

The notion of client / counterparty relies on a selection of matchable accounts grouped hierarchically in a simple root, the client or counterparty, and a main root, for example, a homogenous set of counterparties belonging to the same group.

The notions of main root and simple root available in SLIB's Third Party module enable definition of client account groups specific to the client company or counterparty activity.

Calculation modes

Liabilities are calculated on the basis of the auxiliary accounting at the end of each day: the unmatched transactions represent the flows remaining unsettled. SLIB Counterparty Risk calculates the total of the amounts in absolute value (no clearing of buy/sell operations).

For monthly settlement flows, a special clearing algorithm is used to take open and closed positions into account.

The results are consolidated at main root level.

Amounts calculated:

Liability	=	Net Amount
Valued Liability	=	Quantity x last price (0 if only security movement)
Margin	=	Credit limit - Liability
Fluctuation	=	Liability - Valued Liability

Reporting

As a standard, SLIB Counterparty Risk generates various reporting types to enable viewing of your configuration and counterparty risk monitoring:

- List of account groups
- List of open/closed roots
- Daily summary list of client liabilities
- Overall daily exposure list
- Daily list / view of client liabilities
- List of client liabilities in excess
- List of client liabilities at 80% of their credit limit
- Monthly list of current statistics