

Factsheet

○ SureVu.

Providing valuable insight into
settlement exposure



EXECUTIVE SUMMARY

September 15, 2008. Lehman Brothers files for bankruptcy, with \$639 billion in assets and \$619 billion in debt. A growing financial crisis takes a step closer to complete meltdown.

Twelve years later, market participants and regulators are still seeking to instill better operational controls and processes in order to avoid the same chaos, should we experience such events again. The recent COVID-19 pandemic has only reinforced the belief that for buy- and sell-side firms, having a near-real time view of unsettled trades and the settlement values related to them is a necessity.

New Settlement Discipline Regime processes become a reality in early in 2021, as part of a series of compliance measures introduced by the CSDR (Central Securities Depositories Regulation), one of the key protocols adopted in the aftermath of the financial crisis.

Although originally seen solely as a European regulatory change, it is now clear that the new measures affect all market participants, reaching far beyond EU/EEA borders to any firm dealing in European securities.

SureVu was created to manage the moving target of trade settlement management. In doing so, it also collates vital counterparty exposure data.

CHALLENGES & OBJECTIVES

Looking back again at the operational challenge the financial markets faced in 2008, when the fate of multiple counterparties became a systemic risk, one of the major challenges for financial institutions was precisely calculating their market exposure to unsettled trades through multiple entities, particularly as the crisis unfolded at an alarming rate. Institutions raced to establish answers to critical questions:

- Which trades had been undertaken with Lehman Brothers?
- Could buys and sells with Lehman Brothers across differing portfolios be offset?
- What if broker-dealers default on payment?

In today's middle office environment, the same questions often persist. Do we know what our exact exposure is in unsettled trades at any one point in time? Which naturally stems from questions such as, how much risk is there related to certain stock types, such as airline shares? And when disasters hit (environmentally, financially, geopolitically – or, as seen recently – biologically), what is the exposure to specific countries or regions?

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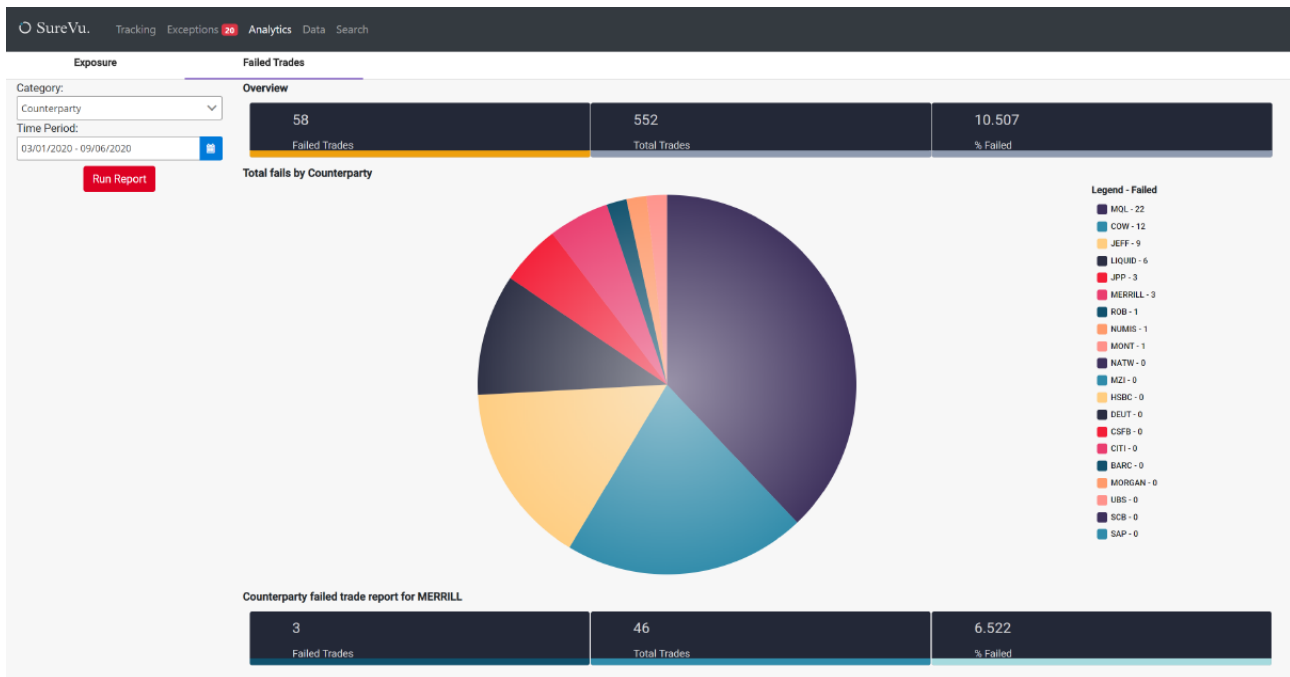


Figure 1 - Place of Settlement Failed Trades
This screen shows you the volume and % of failed trades by counterparty.

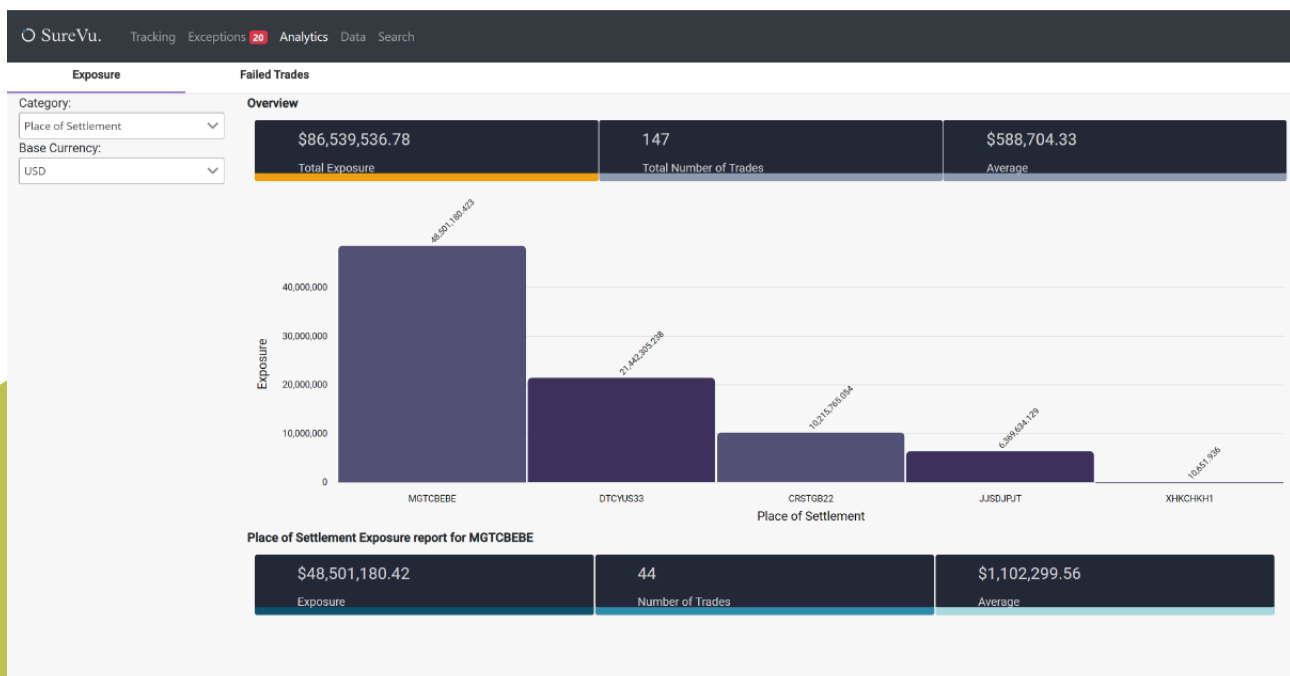


Figure 2 - Place of Settlement Exposure
This screen shows you where the key settlement exposures reside.

UNDERSTANDING YOUR SETTLEMENT EXPOSURE

All firms need to be able to perform a full health check of transactions in play:

- How efficient is our settlement process?
- What is the settlement rate and what are the main causes for failure?
- What is the value of unsettled trades?
- What is the exposure to cash penalties and mandatory buy-ins?

Answering these questions helps prepare for SDR but will also enhance overall operational trade and risk management.

Recent experiences with the market impact of coronavirus shows us that non-financial world events can hit hard and fast. We cannot be fully prepared for all eventualities, but when market chaos arises, we all need tools that help us create the most effective operational processes, helping firms to maintain control and respond decisively.

SOLUTION

Not all firms benefit from well-established, timely communication with their custodians. There is often room for improvement in this respect.

SureVu introduces a higher level of visibility and transaction analysis, providing near real-time information on the status of every trade.

In addition to managing outstanding trade settlement processes and moving them toward completion, SureVu highlights all unsettled trade risk on one dashboard. At the heart of this solution is a highly effective, robust exception management engine.

SureVu is a cloud-hosted solution that supports firms in their quest to prevent trades failing under the new

Settlement Discipline Regime. A further feature of the product is the positioning of data representing the precise, current exposure to unsettled trades. This exposure is provided at an aggregate level and also broken down by individual trade constituents. For example, at a click of a button users see all trades and total exposure to an individual broker.

Alternatively, users might have misgivings about a certain market or maybe an individual stock or group of stocks. All of this is a couple of clicks away in SureVu.

Clearly, most buy- or sell-side firms would have welcomed this functionality in 2008; it is a concern that many still do not have this today.



Figure 3 - Counterparty Exposure
The screen gives you the complete picture of exposures by counterparty.

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ABOUT CORFINANCIAL

corfinancial provides software solutions and advisory services to banking and financial services organisations worldwide. The firm has offices in London, New York and Boston.

There are five key problem areas corfinancial looks to solve through its primary software and service offerings:

BITA Risk provides end-to-end private client suitability, portfolio management, risk, ESG and monitoring oversight solutions; brought together in BITA Wealth to mirror and systemise the investment process of wealth managers and private banks and available individually for CIO and investment teams.

SureVu empowers buy- and sell-side firms to efficiently monitor and track security trades throughout the settlement lifecycle, enabling users to proactively manage and oversee settlement exposure.

salerio is a post-trade processing solution that enables asset managers, hedge fund managers and securities/fund services firms to automate the flow of securities and treasury trades from matching through settlement.

costars is an investment administration platform for third party administrators, fund supermarkets and wealth management companies.

paragon is a comprehensive front-to-back office fixed income portfolio accounting, processing and reporting solution for banks.

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salerio.

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Fixed-income accounting hub delivers front-to-back office portfolio accounting and processing solutions.

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