Wallstreet Suite

Comprehensive, cross-asset investment and debt management solutions for financial institutions and corporations

www.wallstreetsystems.com

WALLSTREET SYSTEMS

FACT SHEET: RISK MANAGEMENT

The Wallstreet Suite includes complete risk management support. The system is based on a single system covering all asset classes with updates in real-time. Wallstreet Suite will fully meet your requirements for global market, credit, liquidity, and operational risk controls and compliancy of your treasury and investment policies.

BUSINESS CHALLENGES

The collapse of large companies, such as Enron and Barings, has clearly illustrated the challenges that reside within the framework of operational risk. The compliance costs of regulations such as Sarbanes-Oxley have a major impact, and risk managers are only too aware that the losses arising from operational risk can match or even dwarf those from market and credit risk.

Innovation in structured products and derivatives, and the booming credit and derivatives market have introduced new challenges on credit and market risk management systems. In addition, a lack of integration and automated processing in these systems can cause a significant reduction in the control a company has over its global risk exposure across the front, middle and back office. Finding a balance is imperative for organizations.

Liquidity risk also poses a major challenge for corporates and financial institutions, forcing them into unnecessary short-term financing at unattractive rates because of a lack of clarity over future cash flows.

KEY FEATURES

MARKET RISK

Wallstreet Suite lets you monitor your positions and transactions in real-time using the flexible portfolio structure. You can define your portfolio structure and analyze the positions, monitoring them across sectors, currencies, tenors, geographies, ratings, time buckets etc. It gives you both the absolute and relative exposure of the positions in the user-defined grouping and can measure derivatives exposure both in terms of marked-to-market valuation and also its exposure in the underlying securities, thus allowing you to monitor the derivatives leverage.

Treasury Monitor, Wallstreet Suite's unique real-time monitoring tool, includes comprehensive analytics and coverage for risk decomposition, scenario analysis and what-if analysis, customized real-time reporting across portfolios and product lines including derivatives and structured products. It calculates more then 300 key figures in real-time such as FX, interest rate, and equity exposures, as well as Greeks, duration, and implied volatility.

In Treasury Monitor you can use different valuation methods per instrument, and see both the marked-to-market and theoretical valuation using configurable yield curves in the same screen. Furthermore, for each instrument you can assign a configurable spread curve and use it for the valuation.

Wallstreet Suite uses NumeriX to price advanced derivatives and structured products such as digital and rainbow structures, range accruals, and multi-callable structures. When pricing deals with these features you can take advantage of NumeriX's wide range of valuation models such as Hull and White one, two factors, Spot Skew, Black-Karasinsky, and Black-Derman-Toy.

Simulations allow you to examine the effects of potential deals before they are executed. Messages, updates and warnings of potential limit violations are sent in real-time. Users can also create "what-if" scenarios to analyze the impact of interest rate shifts, price shift, volatility shifts, and create multi-factor simulations to aid in the decision-making process.

Historical risks and risk-adjusted returns

In Performance Monitor, Wallstreet Suite's performance measurement and attribution application, you can analyze historical risk, including

- historical volatility
- standard deviation
- risk-adjusted return calculations
- comparison analysis against a benchmark or index.

Historical risk is calculated using configurable sample historical periods (e.g. last three months, or two years) and a reference value (e.g. daily or annualized figures). A wide selection of risk-adjusted return measures are provided such as Beta, Regression Alpha, Sharpe Ratio, Tracking Error, Information Ratio and Jensen's Alpha.

Value-at-Risk

Treasury Monitor also allows you to monitor the parametric VaR of your portfolios in real-time and drill down the VaR of your position across currencies and market. You can define the VaR confidence level and horizon, and analyze VaR such as: incremental VaR; absolute VaR; and relative VaR versus a scaled benchmark. Variance and covariance market data are loaded from external market sources such as RiskMetrics™.

Wallstreet Suite interfaces with RiskManager™ which offers additional risk management functionalities such as Monte Carlo and historical VaR, stress testing and predictive scenario generation.

CREDIT RISK

Using the flexible rules in Wallstreet Suite it is possible to parameterize different types of limits. Limit Monitor is the application where you can control the current limit exposure in real-time against a set of limits in terms of counterparty, country, issuer, settlement, duration, Value-at-Risk or other key figures. The exposure can be individual or aggregated in different ways, such as a group of counterparties, currencies, and markets. Mathematical formulas can be used to define both the exposure calculation as well as the limit calculation and the limits can be expressed either as a percentage or as an absolute amount.

Traders are also able to check limits in real-time before commencing a transaction and can request authorization for a deal before it is executed.

An interface to CreditMetrics™ allows you to calculate the Value-at-Risk due to changes in credit quality caused by upgrades, downgrades, defaults etc.

LIQUIDITY RISK

Wallstreet Suite includes web-based short-, medium- and long-term cash flow forecasting tools allowing you to collect the cash and liquidity data locally, but report on it centrally. You can use templates to capture liquidity information which is customizable to match the way forecast information is made available within your business.

Wallstreet Suite has full communication components which allow you to load A/R and A/P data from ERP systems for your cashflow forecasting.

It also includes workflow management tools for reviewing and approving forecasts to improve control. It is possible to view how a forecast has evolved over time, never losing the original or subsequent forecast information.

Cashflow forecasts are automatically updated each time a treasury operation is performed. Floating cashflows in treasury deals are estimated based on yield curve, and monitored in the forecast.

Combining on-line cash balances and projected cash flows, future developments in cash positions can be viewed in configurable time buckets. The cash movements can easily be investigated by drilling down to the transaction level.

OPERATIONAL RISK FRAMEWORK

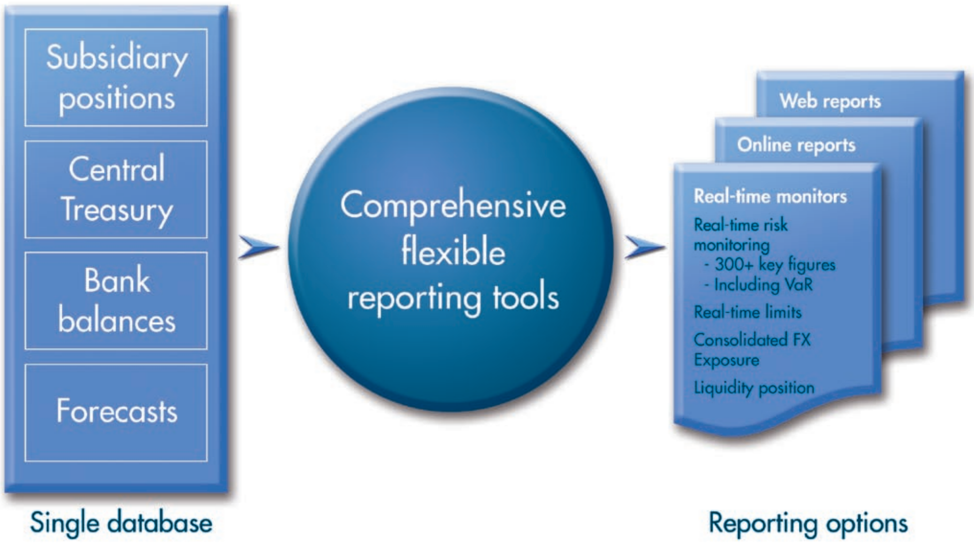
Wallstreet Suite is a fully integrated solution based on a single database enabling you to implement operational controls and create workflow processes that minimize manual actions. This in turn minimizes the likelihood of error, giving tight front-to-back operational control. Flexible definition of access rights ensures the segregation of duties and the management of authorization for each individual user or group of users. A secure environment logs all trades for further investigation and reporting.

Wallstreet Suite can handle any financial instrument regardless of market, asset or instrument class. You can create infinite new instruments by combining different elements such as cash flow, schedules & legs, events & payoff expressions, fees, valuation and other actions that can occur during the life of the instrument.

Where trades do not fit the standard trading and processing pattern, a warning can be instantly broadcasted to a risk manager. Alternatively the transaction workflow can be routed to a back office analyst for investigation, prior to any back office processing such as payment. If you want to investigate the costs and income it is possible to drill down into your positions in a single click to examine the trades in more detail.

BUSINESS CHALLENGE	WALLSTREET SUITE SOLUTION
MINIMIZE OPERATIONAL RISK	Wallstreet Suite is a fully integrated solution based on a single database with the ability to implement operational controls and create workflow processes. This gives you a tight front-to-back control of all processes which minimizes operational risks.
INCREASED IMPORTANCE ON CREDIT AND MARKET RISK MANAGEMENT	With Wallstreet Suite's risk management capability risk managers and compliance officers can examine the risk profile for all asset classes though streamlined reports and real time monitors. It is possible to analyze the individual risk factors through drill-down and dynamic modeling.
NO VIEW ON LIQUIDITY RISK	An accurate view of your short-, medium- and long-term liquidity globally helps decide which capital market transactions are needed to obtain an optimal yield, while securing the liquidity of the company at all times.

CONSOLIDATED RISK POSITION



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