

# ISDA Regulatory Commitments

The below represents Omgeo's current product capabilities which satisfy some of the more significant commitments set forth by ISDA. We examined 3 documents, the Collateralized Portfolio Reconciliation Best Operational Practices, the Guidelines for Implementation of the ISDA 2009 Collateral Dispute Resolution Procedure, and the ISDA Market Review of OTC Derivative Bilateral Collateralization Practices.



## ISDA Collateralized Portfolio Reconciliation-Best Operational Practices

	Industry Commitment	Product	Functionality	Document Location
1	Reconciliation Strategy & Frequency	CrossCheck	CrossCheck provides clients with the most robust solution to proactively reconcile portfolios of derivatives on a daily basis. CrossCheck is a centrally hosted/community based solution which satisfies not only bi-lateral portfolio position reconciliation but a multi-lateral approach by bringing in the DTCC Trade Information Warehouse and other counterparties simultaneously.	Section 2, Shared Education & Commitment. Best Practice # 2 & 3. Pg 5
2	Reconciliation Technology	CrossCheck	Automating trade lifecycles is nothing new to Omgeo. The pervasive use of Fax and Email in the past has sparked a renewed interest from an industry perspective to address the need for automation in this space. CrossCheck allows clients to increase capacity by automating the daily grind, thereby freeing up valuable time to focus on disputes.	Section 2, Shared Education & Commitment. Best Practice # 4. Pg 5
3	Reconciliation Tolerances	CrossCheck	Today, authorized files are compared automatically according to customizable tolerances and match policies. Positions from each source are linked according to a sophisticated weighted average scoring algorithm.	Section 2, Shared Education & Commitment. Best Practice # 5. Pg 6
4	Data Standards	CrossCheck	CrossCheck supports all the mandatory fields stated in the ISDA best practices. CrossCheck takes client and counterparty data and translates it into a standard FPML context to allow for consistent representations and avoid manual efforts resulting from different formats.	Section 2, Shared Education & Commitment. Best Practice # 6. Pg 6
5	One Confirmation, One Trade	CrossCheck	CrossCheck has the ability to present each trade in a portfolio to be represented as one line of data thereby increasing transparency into detailed data.  Additionally, CrossCheck has the capabilities to rollup positions allowing one-to-many relationships between counterparties.	Commitment. Best Practice # 5. Pg 6 & 7

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## ISDA Collateralized Portfolio Reconciliation-Best Operational Practices

	Industry Commitment	Product	Functionality	Document Location
6	Product Identification	CrossCheck	Today CrossCheck accepts in Product Type information for classification	Section 3, Recon Approach & Initial Results. Best Practice # 10. Pg 8
7	Trade Identification	CrossCheck	Today CrossCheck utilizes the "position ID" as the unique identifier for OTC and Collateral Positions that are submitted into the system.	Section 3, Recon Approach & Initial Results. Best Practice # 11. Pg 8
8	File Transmission	CrossCheck	CrossCheck enables clients to automatically provide files containing position data via the SFTP process. Clients today are utilizing this service.	Section 3, Recon Approach & Initial Results. Best Practice # 12. Pg 8
9	File Formats	CrossCheck	CrossCheck receives CSV and XLS files for reconciliation. There are several options for uploading these file, including automation via SFTP.	Section 3, Recon Approach & Initial Results. Best Practice # 13. Pg 8
10	Process Transparency	CrossCheck	CrossCheck provides full transparency into reconciliation output and allows both parties to view the reconciled data in a single view and perspective.	Section 4, Breaks & Issue Mgt. Best Practice # 16. Pg 11
11	Break Management	CrossCheck	Multi-lateral communication allows clients to send counterparties break information linked to trade details from both sides, eliminating the need for tedious and counterproductive exchanges of emails.	Section 4, Breaks & Issue Mgt. Best Practice # 19. Pg 12
12	Minimum Standards of Results Reporting	CrossCheck	CrossCheck provides 6 position level and 4 summary level reports which can be downloaded on a daily basis. Clients have the ability to view these 10 standard reports from a button on the UI.	Section 5, Root Cause & Reporting. Best Practice # 24. Pg 14

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## Guidelines for Implementation of the ISDA Collateral Dispute Resolution Procedure

	Industry Commitment	Product	Functionality	Document Location
1	Identify Transactions Under Investigation Using the Appropriate Tolerance for each Product Type	CrossCheck	CrossCheck allows for customized tolerances by product type or other criteria. Those transactions (positions) that exceed the tolerance can be easily identified using the break filters.	High Level Summary of the DR Procedure. Pg 5
2	Internal review of Transactions Under Investigation	CrossCheck	CrossCheck provides a complete Break workflow process that allows for the referral of Transactions Under Investigation to be designated to internal experts, in compliance with the Dispute Resolution Procedure.	High Level Summary of the DR Procedure. Pg 5
3	Party to Party Review	CrossCheck	The CrossCheck Break workflow allows for communication between the counterparties in a way that is linked to the specific trades under investigation.  Messages between the parties are recorded on an audit trail for tracking purposes.	High Level Summary of the DR Procedure. Pg 5
4	Alleged Positions	CrossCheck	The CrossCheck Break workflow includes the ability to attach electronic files. This capability facilitates compliance with this section of the procedure, “alleging party must provide confirmations, trade references, or other supporting documentation.”	High Level Summary of the DR Procedure. Pg 5

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## Guidelines for Implementation of the ISDA Collateral Dispute Resolution Procedure

	Industry Commitment	Product	Functionality	Document Location
5	Portfolio Reconciliation: Collateralized Portfolio Reconciliation (Daily)	CrossCheck	<p>CrossCheck is a centrally-hosted, exception management solution that automates the daily comparison of portfolios of derivatives between counterparties and against other sources, including the DTCC Trade Warehouse. Crosscheck also supports the comparison of all of the required elements from this section of the procedure: "mark-to-market values, collateral asset, and any other relevant information.</p> <p>We have also found that multi-way reconciliation of positions, particularly collateral positions, is important to ensure that collateral calls are made correctly. Our clients have found that it is relatively common for collateral to be posted to the incorrect account, or for different firms' records of collateral positions to be inconsistent. Often custodians implement collateral movements for investment managers, so it is important to reconcile these positions between IMs, custodians, and broker-dealers. We have found that errors can creep in at any stage of the process, so a complete shared view is important.</p>	Firm capability #F1: portfolio Reconciliations. Pg 11
6	Portfolio Reconciliation: Daily Identification of Disputing Trades	CrossCheck	<p>Currently breaks can be assigned a "critical" priority to indicate dispute, and information about the dispute can be recorded in user comments. Critical breaks can be filtered to identify the population and total value. Disputed items can be displayed by grouping based on "Priority=Critical".</p>	Firm capability #F1: portfolio Reconciliations. Pg 11
7	Dispute Resolution Tracking: Progress, ownership, ageing and root cause tracking for each disputing item that is elected through the dispute resolution procedure	CrossCheck	<p>CrossCheck can track break aging and report breaks by age. CrossCheck is being enhanced by adding a new break status of "Disputed" as well as allowing filtering positions, breaks, or summaries by status, including "Disputed" and "Non-Disputed". CrossCheck will also allow recording of the time of dispute and who it was entered by for audit purposes. In short, the current CrossCheck version allows disputed items to be marked and displayed. Proposed enhancements will improve display and reporting of disputed items.</p>	Firm Capability #F3: Dispute Resolution Tracking. Pg 13

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## ISDA Market Review-OTC Derivative Bilateral Collateralization Practices

	ISDA Recommendations	Product	Functionality	Document Location
1	Collate Data Inputs	ProtoColl	Omgeo ProtoColl offers a flexible data import process with the ability to handle multiple sources and multiple formats. ProtoColl is fault-tolerant with advanced exceptions handling and options may be added to load, unload, reload and override files. ProtoColl has a schedule-driven and color-coded dashboard for tracking errors at an optimal efficiency.	Section 3 Operational Mechanics. Pg 21
2	Compute Collateral Moves	ProtoColl	ProtoColl can evaluate and interpret various standards, as well as bespoke, agreement rules. ProtoColl proactively generates many types of margin e.g. Initial and Variation. We offer a workflow enabled process for handling the entire margin process as well as ancillary functions such as handling interest on cash collateral, adding/editing asset prices, and corporate actions.	Section 3 Operational Mechanics. Pg 22
3	Administer Collateral Calls	ProtoColl	ProtoColl allows users to email or fax of margin calls in summary form. Attachments can be in PDF or TIFF plus option to add portfolio trades as attachment. These notices would automatically includes logos, details, disclaimers and SSIs. We offer templates in multiple languages. Some or all notices can be published automatically as part of STP options.	Section 3 Operational Mechanics. Pg 23
4	Select / Book Collateral	ProtoColl	ProtoColl allows for the users of the collateral selection screen to automatically link to eligible collateral projections, and validate requirements against collateral movements being satisfied. We offer support for hard/soft segregation. ProtoColl can link to settlements systems and custodians as required.	Section 3 Operational Mechanics. Pg 25

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## ISDA Market Review-OTC Derivative Bilateral Collateralization Practices

	<b>ISDA Recommendations</b>	<b>Product</b>	<b>Functionality</b>	<b>Document Location</b>
5	Management of Collateral	ProtoColl	<p>ProtoColl can serve as the proper books and records of collateral balances. We allow users to confirm settlement of movements and track fails to ensure that balances are correct. Substitutions are quick and easy to set up and notices are available for delivery to counterparties.</p> <p>ProtoColl offers a full workflow around interest on cash collateral. Interest notices are generated out of ProtoColl and can be delivered to counterparties as part of an STP set up.</p>	Section 3 Operational Mechanics. Pg 26