

# FinLogic for Investors

Derivatives Made Simple



*Fin***Rad**

In recent years, over-the-counter (OTC) derivatives have experienced phenomenal growth, not only in terms of volume of transactions, but also in the diversity of instruments that are traded and in the breadth of counterparties involved.

While the use of sophisticated products such as interest rate, total return and credit default swaps offer huge opportunities to enhance returns and reduce risks, it also brings a new set of challenges for investment managers:

- ❑ Complex monitoring of derivatives exposure and strategies
- ❑ Difficult tracking of trade details, master agreements and collateral agreements
- ❑ Significant backlogs generated by manual valuation pricing and confirmations processing

At the same time, regulators' increased scrutiny of the growing global derivatives markets is forcing organizations to:

- ❑ Increase transparency and efficiency
- ❑ Better assess their operational risks
- ❑ Gain control over data management (security, audits, etc.)

Because they do not easily integrate with the established systems structure, OTC derivatives automation also raises critical issues for IT managers:

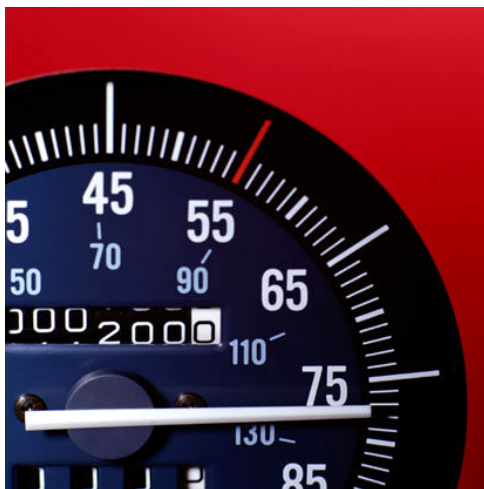
- ❑ Unmanageable proliferation of departmental technology (over-customized spreadsheets)

- ❑ Limited derivatives processing capabilities in existing legacy systems
- ❑ Solutions designed for the sell-side with lack of basic functionalities needed by the buy-side
- ❑ Scarcity of qualified resources engendered by the complexity and constant evolution of the OTC derivatives environment

Designed for the buy-side, FinLogic is a comprehensive suite of integrated software solution supporting traders, fund managers and institutional investors, in enhancing their organization's operational efficiency, productivity and financial performance.

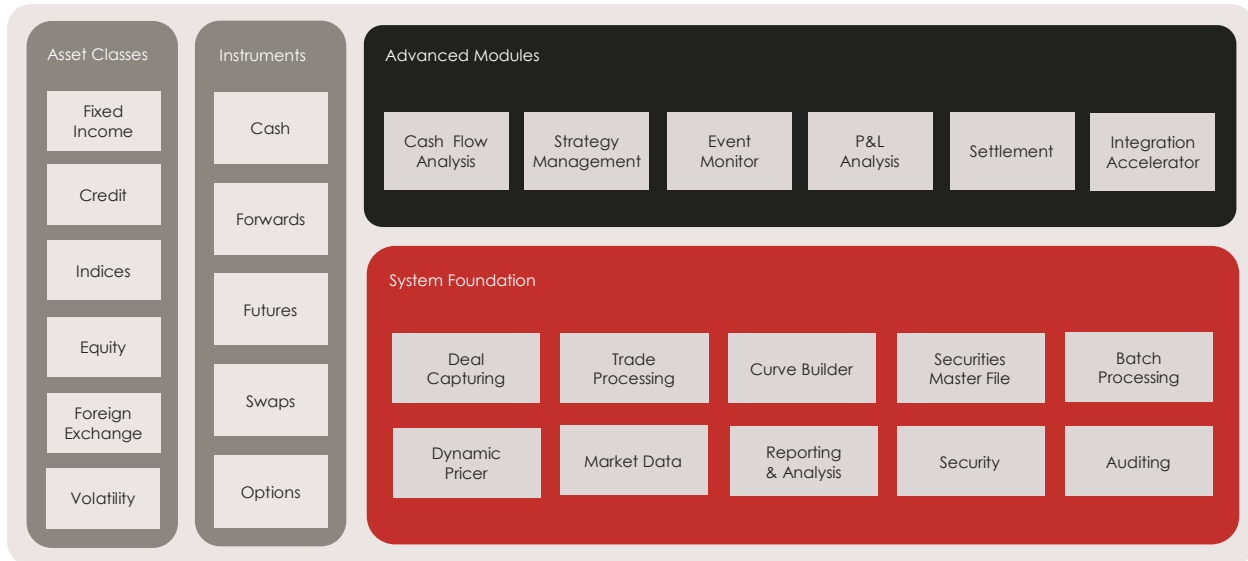
FinLogic vastly automates operating workflow to help portfolio managers and other investment experts achieve:

- ❑ Fast processing of trades
- ❑ Timely pricing and evaluation of trades using advanced financial models
- ❑ Reliable management of high-volume market data
- ❑ Effective management of market risk, interest rate risk and credit risk



*Is complexity  
slowing down  
your performance ?*

*FinLogic functionalities are packaged into intuitive and flexible modules.*



## Deal Capturing

Transaction capture functions include the initial creation of the trade, as well as subsequent access to the trade via various lists and research tools. Other transaction capture functions include:

- Documentation of all required information for trade confirmation and legal purposes
- Automatic generation of flows according to market conventions and business calendars
- Addition of various types of cash flows within a trade (useful for different accounting treatments)
- Cash flow schedules export to Microsoft Excel™
- Trade status information
- Trade tickets generation

## Dynamic Pricer

FinLogic offers the necessary functions to easily achieve trade valuation, whether for simulation purposes or for negotiation of final terms. FinLogic also offers the possibility to:

- Value all trades, either using an on-demand batch process, or on a trade by trade ad-hoc basis
- Assign a valuation "Pricing Context" to a specific trade that overrides the default method
- Evaluate trades according to user-specific curves and market data
- Choose among multiple pricing methods including external pricing values

The Dynamic Pricer tool also gives managers the ability to calculate all relevant financial statistics (mark-to-market value, realized value, accrued, Greeks, etc.), and provide the time bucket exposure for efficient hedging of fixed income instruments.

## Trade Processing

The Trade Processing module enables the user to actively and rapidly track the evolution of a trade from inception to maturity. This module will help manage:

- Confirmation processes (by product, by counterparty, etc.)
- Trade workflow including pending, executed and rejected status
- Rate/Index resets on a trade-by-trade basis or through a batch process
- Payments status
- Cash settled options with capture of the settlement price or rate
- Physically settled options with automatically generated underlying transaction
- Security events including dividends, coupons and stock splits
- Trade amendments, unwinds (partial or total) and assignments

## Batch Processing

FinLogic includes a functionality which gives the user the ability to perform a sequence of operational functions (scenarios) in a batch mode, such as end of day processes.

Some of the available functions are:

- Import market data, rate curves and volatility matrices
- Evaluate transactions and portfolios
- Update reset rates for multiple transactions
- Run back-date critical processes
- Generate reports
- Integrate with 3rd party schedulers

## Market Data & Curve Builder

Because of the importance of market data for trade valuations (MTM, Greeks, etc.), FinLogic Market Data & Curve Builder modules allow managers to:

- Create interest rate and foreign exchange rate curves and volatility matrices, including characteristics such as interpolation method, stamp code and market side
- Import and update rates/volatilities from external data sources, such as Bloomberg™ or Reuters™, etc.
- Create and review historical rates/volatilities
- Visualize spreads between two curves with different dates, credits or currencies
- Build zero curves associated with interest rate instruments (including money market, futures and swap rates)
- Easily export all rate curves and volatility matrices to Microsoft Excel™
- Futures roll management for interest rate curves





*In recent years security requirements in the financial industry have become more stringent.*

*Financial organizations are now faced with increased legal responsibility to maintain the security and integrity of their systems.*

## Security

The security management features of FinLogic were specifically designed to respond to a rising need for better security. They allow organizations to segregate application rights and duties according to custom-defined roles. Possible security arrangements include visualization, modification and creation/execution of:

- Reference data (portfolios, legal entities, bank accounts, settlement paths and netting rules, calendars and user rights)
- Trade details (cash flows, default settings and trade status)
- Batch processes
- Market data (curves, prices, stamp codes, etc.)

## Auditing

Along with increased security responsibilities, financial organizations face additional audit scrutiny. The finance industry now requires that all executed trades and operations be logged in a secure and traceable manner.

Whether it is creation, modification, termination of trades, or simply the update of rate resets, FinLogic tracks all major user changes, providing a reliable application audit trail.

## Reporting & Analysis

FinLogic offers an advanced tool for creating custom lists and reports. Using a proprietary filtering technology, users can generate custom trade lists and blotters and export any list content to Microsoft Excel™.

The reporting functionalities include:

- Data filtering and sorting
- Various data aggregation methods
- Template sharing and storage

# Advanced Modules

## Strategy Management

Complex investment strategies often combine various financial trades. The Strategy Management module provides the necessary flexibility to manage investment relations required to:

- Create synthetic securities
- Document and evaluate the quality of exposure hedges
- Monitor the performance of a strategy

The module also permits the following:

- Define types of grouping/strategy
- Add/remove trades over time
- Add a description in order to comment on the strategy and/or the required performance
- Dynamically display individual and consolidated cash flow schedules on screen

## Cash Flow Analysis

The cash flow management functionality allows the user to monitor past and future cash flows. More specifically, managers can use FinLogic to:

- Analyze past and future cash flows using multiple dimensions such as portfolio, instrument, type of cash flow, currency, etc.
- View cash flows totals and total breakdowns through a customized list
- View cash flows by using time graphs and dimension charts
- Calculate cash flow based on fixed rates, last known/last rate resets
- Monitor the impact of past and future security payments



## Event Monitor

FinLogic's Event Monitor provides a comprehensive view of upcoming operational events such as trade status, exercise dates and corporate actions.

FinLogic's Event Monitor allows users to:

- Define events and responsibilities according to office (front, middle and back)
- Set and model the appearance of monitoring panels
- Create specific views using custom filters
- Apply visual indicators according to trade and event status
- Establish customized popup warnings and messages

*Managers must be able to understand, analyze and explain the return of each trade, each strategy and each portfolio.*

## P&L Analysis

The P&L Analysis module proposes a modern approach to the analysis of returns. It offers the necessary flexibility for managers to understand, analyze and explain their P&L results.

The P&L Analysis module permits the following:

- Rapid analysis of performance using customized information lists (Quick View): The manager visualizes the return of all trades in a pre-defined group
- Analyze performance by multiple dimensions (trade, group of trades, portfolio, entity, account, strategy, etc.)
- Analyze the return by date intervals or for a specific period
- Select a preferred method for the resulting currency
- Drill from the P&L matrix down to the transaction level

## Settlement

The Settlement module provides full capability for monitoring the settlement of cash receivables and payables generated from trades.

This module creates payment instructions based on pre-defined settlement paths and netting rules.

Users can perform the following:

- Manage bank accounts
- Manage settlement paths
- Manage netting rules (by trade, instrument, portfolio or market)
- Manually or automatically generate payment instructions

At FinRad, we believe that market managers can significantly increase their **profitability and productivity** through efficient automation of their trading operations. Our solutions provide the golden mean between in-house applications and spreadsheets on the one hand, and complex and expensive information systems on the other. This **best-of-breed** approach gives financial organizations robust software tools that are **simple, intuitive and manageable**—tools conceived to meet the daily information challenges of today's financial manager.

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