



SUNGARD STREAM OPTIONS WATCH

STP Solution for
Option Exercise/
Assignment and
Close-Outs

WORKFLOW STP PROCESS FOR OPTION EXERCISE/ ASSIGNMENT AND CLOSE OUTS

Stream Options Watch is a unique workflow STP process for option exercise/assignment and close outs enabling firms to accurately manage their operational risk, drastically reducing the risk of financial loss. Stream Options Watch helps clearing brokers' middle and back-offices solve issues never addressed before by the Derivatives Industry or the ISV community.

THE COST OF HANDLING OPTIONS

With soaring options volumes, derivatives firms are facing an increasing demand for greater automation of daily manual tasks and more straight-through-processing (STP) in the up and down stream with customers.

In the specific area of option handling, two main areas call for strong improvements:

- Firms need to better control their operational risks around the option exercise process.
- An automatic exchange close-out is needed since the current method of closing-out open positions at the exchange is still intensely manual.

Other factors cause the post-trade processing of options to be complex: there are differences in the way various exchanges handle the option exercise process and many-listed options are American, not European, in style.

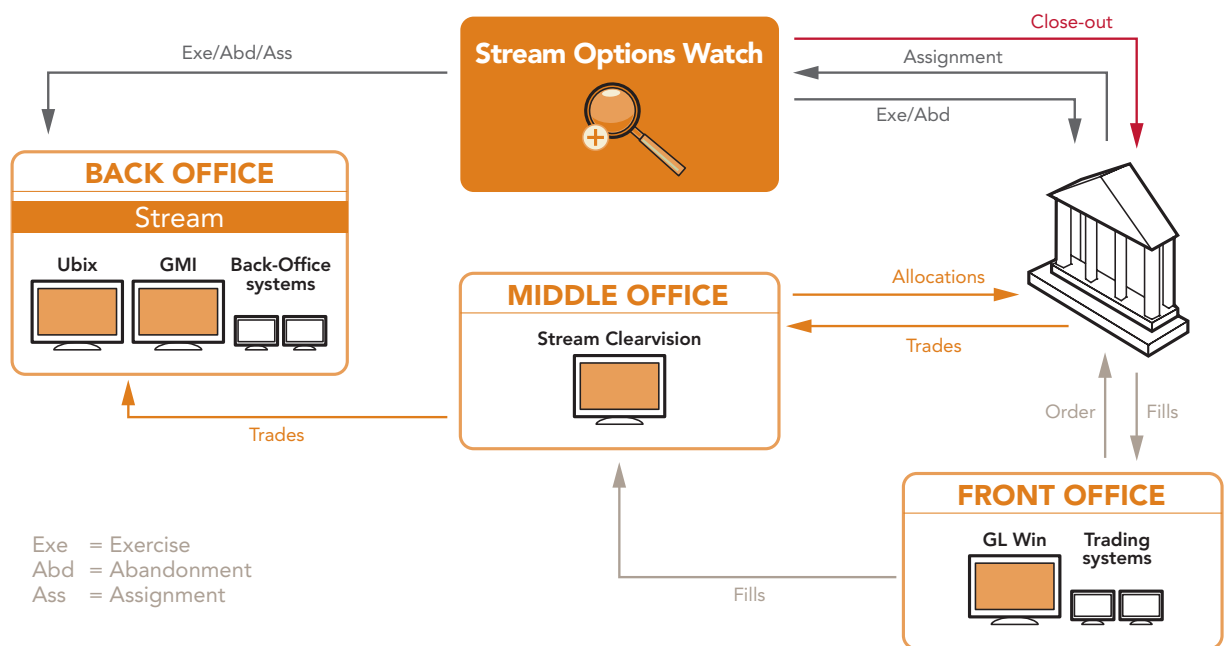
All market participants thus have major concerns about handling option exercises and abandons which generate high operational risks in costly daily manual tasks. Financial institutions may incur losses as a result of incorrect exercises.

Furthermore, it can be very difficult to identify the impact that a decision to exercise or abandon may have on profit and loss (P&L). This raises the risk of not reacting on time, which is a major concern for customers.

STREAM OPTIONS WATCH, AN INNOVATIVE AND FULLY AUTOMATED SOLUTION

SunGard delivers innovation with a dedicated solution that provides greater automation and a higher degree of security to its clients' listed options business.





Stream Options Watch in the Derivatives Trade Flow

Options Watch is made of **two distinct but complementary functionalities:**

1- Option Exercise/Abandonment

automated process workflow which reduces the number and the cost of errors. If no issue occurs, the request is fully followed until its final execution. If an issue occurs, the request is stopped and placed into an "Exception" state requiring a resolution (manual or automatic depending on the set-up). When the issue is fixed, the request can be re-entered into the workflow at entry point, ensuring that no other issue has been created.

Stream Options Watch includes several front- and back-end components:

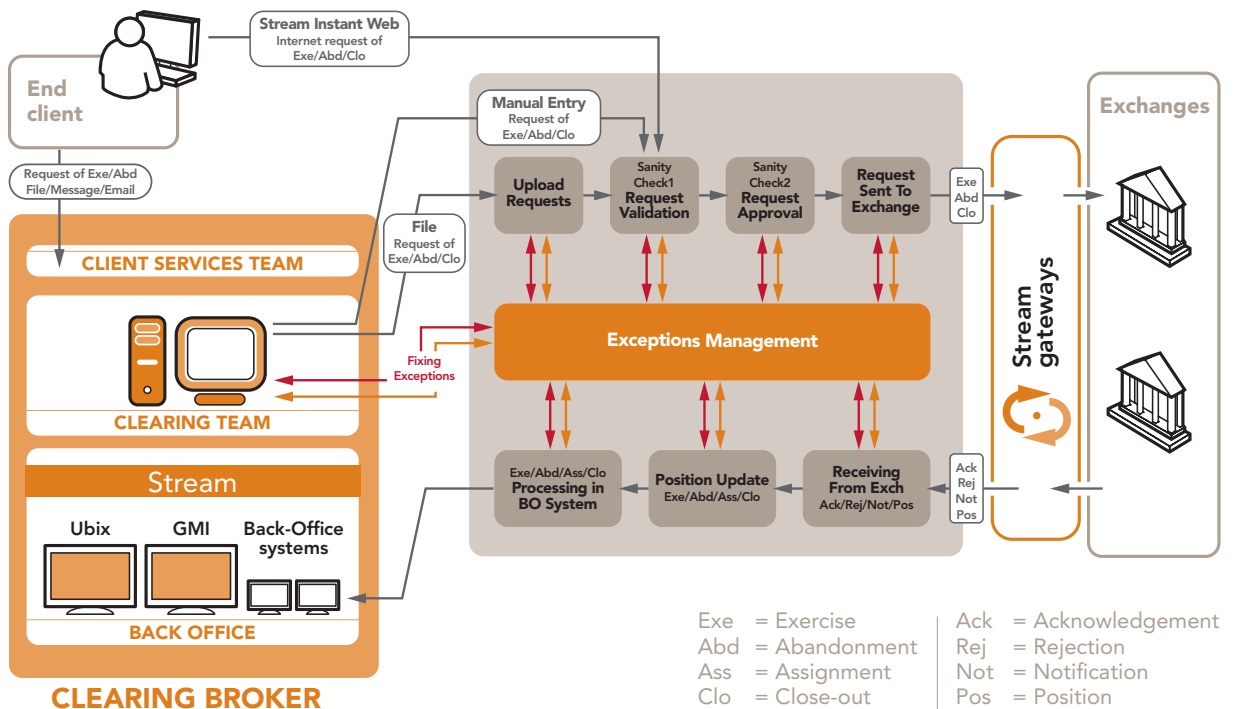
- Collecting customers' requests for early exercises using standard interfaces and channels (file, message, email...)
- Systematically performing several sanity checks prior to request validation (for instance, the customer account should have the expected position or should be an "in the money" option)
- Monitoring exercise and abandonment requests, either fully market either partially "internal"
- Authorizing the exercise instructions to be sent to the exchange
- Managing requests' exceptions, requiring a recovery procedure for each one of them
- Monitoring market notifications such as confirmation, rejection or notification messages (assignment, exercise, abandonment)
- Uploading of positions and static data (third structure, contracts and series...) retrieved from SunGard's Stream, the aggregated and normalized repository for back-office data

- Reporting back to internal teams and customers as well as feeding the back-office system
- Providing the internal compliance department with authorization management and audit trail features
- Providing online direct access for final customers through Stream Instant Web which enables them to manage option exercise/abandonment requests through an internet portal. It also allows them monitor "in and out of the money" option positions and to calculate profit and loss in real-time on option exercise. Each direct request from a customer can be controlled by the broker if dedicated parameters are activated within the system.



2- Fully automated close-out process allowing firms to save time and labor costs and to better assess the risk of being assigned.

- Reconciling the open positions between the back-office and the exchanges
- Properly managing the account types (Net/Gross)
- Automatically sending the close-out instructions to the exchanges



Stream Options Watch enables the STP of the option exercise/assignment and close outs processes

BUSINESS BENEFITS

Options Watch provides a significant breakthrough in the automation of complex and costly procedures leading to financial losses occurring within middle and back-office derivatives firms handling options.

Substantial operational risks mitigation was one of the main targets when SunGard decided to develop Options Watch. The Option Exercise workflow allows clients to fully manage their process and drastically reduce the risk of financial loss on option exercise. Moreover, the "in and out of the money" option position calculator facilitates the real-time handling of estimated profit and loss.

A reduction of labor costs and time spent on painful tasks by automating the daily close-out process is a second major benefit.

A better assessment of the risk of being assigned by the automatic close-out process of exchange open positions is also a significant advantage.

The delivery of a high quality client service is another benefit. End customers receive real-time internet access to their option positions, allowing straight-forward exercise management similar to a direct connection to the exchange. This offers financial firms using Options Watch a unique hedge against competition.

TECHNICAL FEATURES

Stream Options Watch technology is based on a multi-tier architecture. It is developed in Java and relies on Oracle's database. In a SOA approach, messages in FIX format are exchanged over a JMS Bus.



STREAM OPTIONS WATCH USERS

- **Client services at the clearing broker:** requesting exercise and abandonment through files or manually through Stream Options Watch screens and fixing exceptions from processing.
- **Clearing team at the clearing broker:** fixing exceptions and validating exercise requests.
- **Final customer:** requesting exercise and abandonment to clearing broker's client services via files, emails, phone calls...

ELIGIBLE EXCHANGES

Europe: EDX, EUREX, EURONEXT Amsterdam, EURONEXT Brussels, EURONEXT Lisboa, EURONEXT Paris, EURONEXT LIFFE, IDEM, IPE/ICE, LCE, LME, LTOM, MEFF.

Asia: ASX, HKFE, KRX, NSE, NZFOE, OSE, SEHK, SFE, SGX, TFEX, TOCOM.

US: CBOT, CME, NYBOT, NYMEX, OCC.

Stream Options Watch benefits from SunGard's **Stream gateways**, the new generation of scalable clearing gateways.

www.sungard.com/globaltrading

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