



Integrated Hedge Accounting For Energy

Overview

SunGard's Aligne Hedge Accounting helps organizations reduce earnings volatility, and assess the impact of operational strategies on taxes and financial statements. It automates the process for maintaining compliance with hedge accounting regulations established by the Financial Accounting Standards Board (FASB), the International Financial Regulatory Standards (IFRS) and its predecessor International Accounting Standards (IAS). The energy hedge accounting solution fully integrates FAS 133, Accounting for Derivative Instruments and Hedging Activities, and IAS 39 compliance with SunGard's Aligne solutions suite.

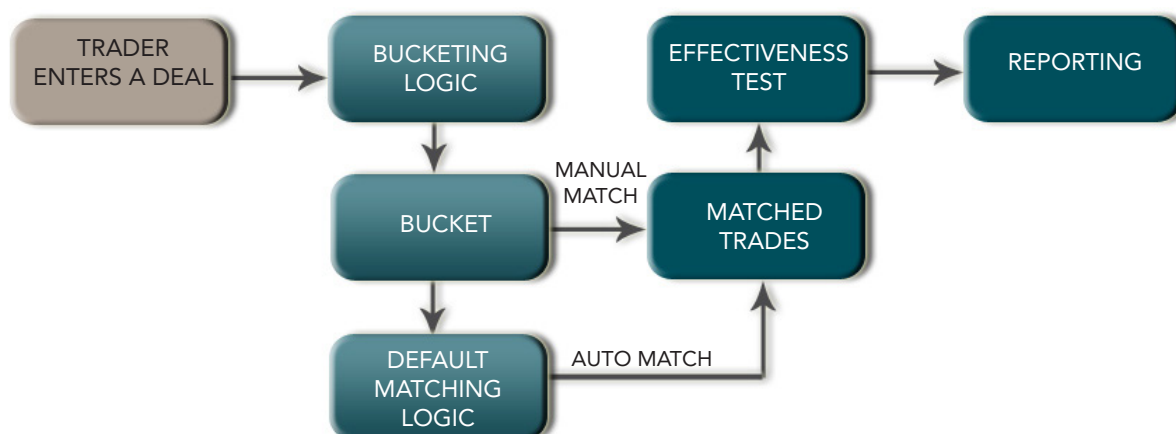
Achieving Regulatory Compliance

Integrating hedge accounting into risk management systems helps a company take advantage of hedges to smooth out earnings volatility while streamlining the processes to track, report, and account for the financial impacts of the hedges. The tight integration between SunGard's Aligne solution suite and Aligne Hedge Accounting means that hedge information is always in sync for audit integrity. Changes to hedged positions are managed, tracked and reflected through this integration.

Process Flow and Reporting

User-defined rules enable automatic classification and bucketing of hedges and hedged items. Once positions are classified into buckets, the user may match hedges manually, automatically or via a combination of both. Subsequent to the match date, Aligne Hedge Accounting will retrospectively calculate all hedges with either cash flow or fair value methodology for hedge effectiveness as required by the FASB or IAS. The system will alert users whenever hedges become ineffective. Matched trades can be de-designated whenever market conditions cause ineffectiveness to occur within a reporting period. De-designation triggers the recording of the appropriate accounting entries and makes the unused portion of de-designated trades available to match to another transaction.

In addition to automatically documenting each hedge as required by FAS 133 and IAS 39, Aligne Hedge Accounting provides several standard operational and accounting reports.



High-level process flow of the hedge accounting process

Key Features

- Automated trade bucketing and classification
- Manual and automated matching of hedges to hedged items
- Tracks fair value and asset valuations
- Differentiates intrinsic value from time value for option valuation
- Supports compliance for cash flow and fair value hedge calculations
- Automatically documents each hedging relationship based on pre-defined rules
- Discloses OCI and earnings for the designated accounting period
- Automated effectiveness testing including short-cut, correlation, R square, value offset and regression analysis
- Retrospective hedge effectiveness calculations for several algorithms
- Supports trade de-designation
- Creates standard operational, accounting, and compliance reports
- Queries deals by any deal criteria
- Provides full audit trail of all hedge accounting activities

Key Business Benefits

- Streamlines information flow for accuracy and timeliness
- Facilitates compliance with Sarbanes Oxley, FAS 133, IAS 39 and other international standards
- Helps ensure audit integrity with one "version of the truth"
- Single repository to capture, value and measure the effectiveness of trades

Technical Architecture

Aligne Hedge Accounting is an integrated component of our Aligne solution suite.

ABOUT SUNGARD ENERGY SOLUTIONS

SunGard's energy solutions help energy companies, industrials and financial services, to efficiently compete in global energy markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments. These solutions provide front to back-office support for capturing deals, delivering market data for valuation, clearing and reconciliation of transactions, invoicing and accounting for transactions, analysis and management of risk, and physical transmission or delivery of commodities. SunGard Energy Solutions also support the logistics and inventory of fuels used in producing power and industrial products.

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