



SUNGARD ANALYSTS' DAY

BOSTON | DECEMBER 6, 2010



TRANSPARENCY • EFFICIENCY • NETWORKS

WHAT'S YOUR POSITION?

SUNGARD[®]

TEN IN PRACTICE

TEN in ETD Brokerage Billing

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SunGard



Agenda

Introduction:

Why Streamline the Brokerage Billing Processes?

- I. Market Needs
- II. How SunGard Helps

Conclusion:

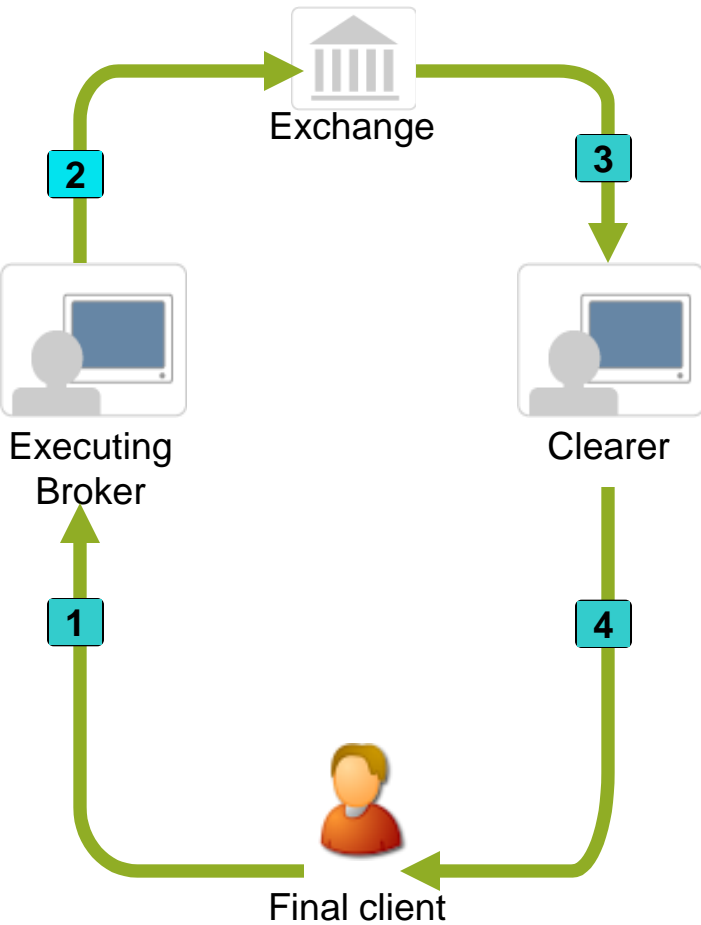
Go-to-Market Strategy

Why Streamline the Brokerage Billing Processes?



How Brokerage Processes Work

The trade flow



Final client wishes to execute a trade on a derivatives exchange

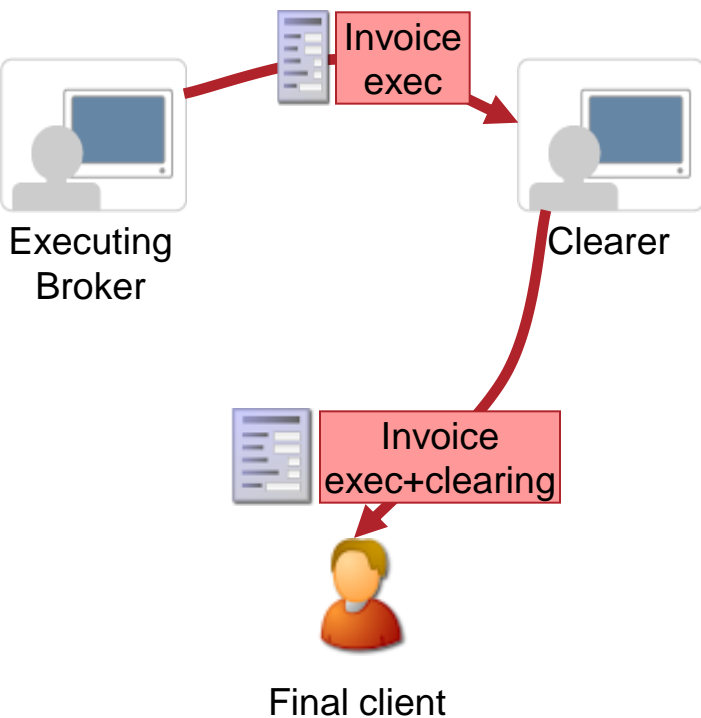
Trade is executed by the executing broker

Trade is given up to the clearer

Clearer holds and clears the final client's open position

How Brokerage Processes Work

The **invoicing** flow

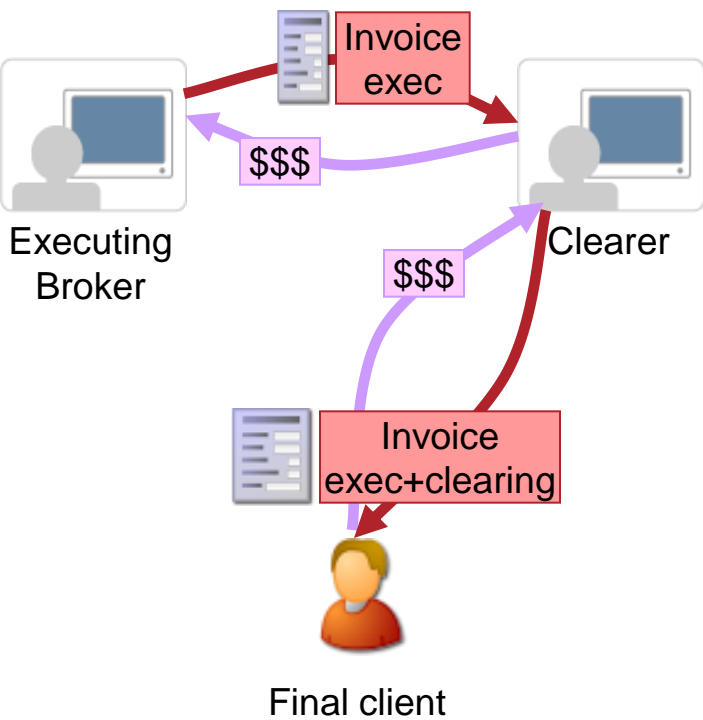


Clearer holds the relationship with final client and sends a global invoice (exec+clearing)

Thus, executing broker invoices clearer for its execution services

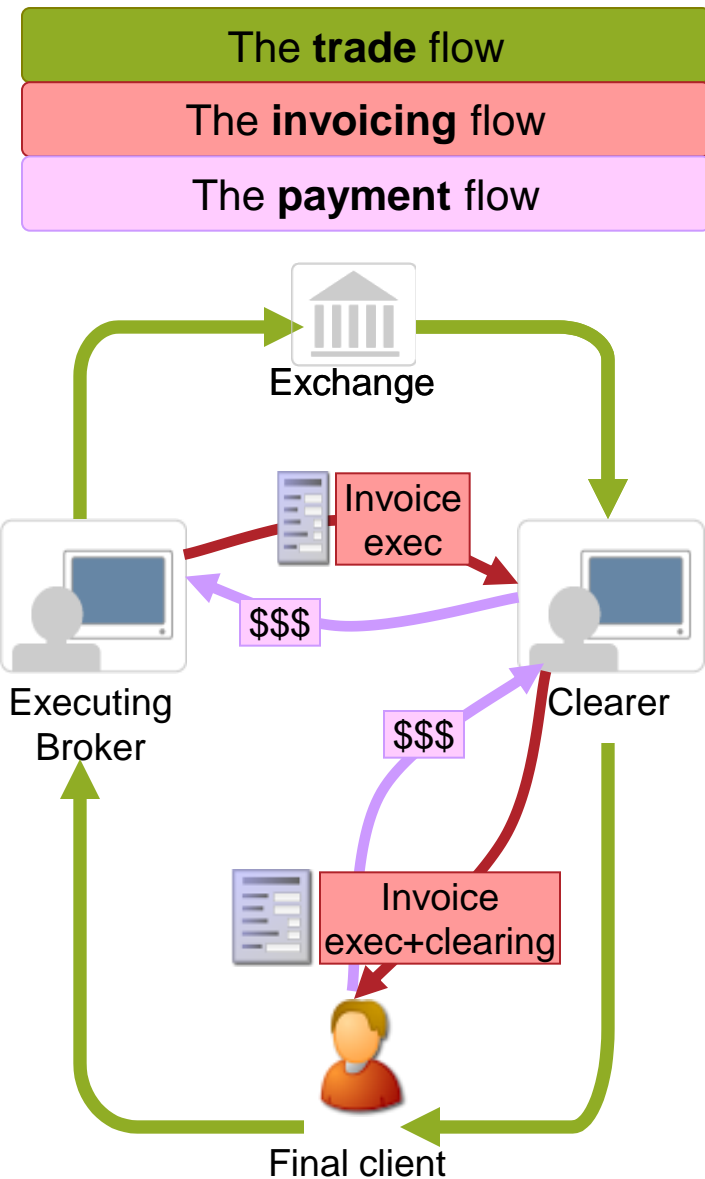
How Brokerage Processes Work

The payment flow



Clearer collects exec+clearing fees from final client, keeps the clearing fees and pays the exec broker's invoice for the execution services

How Brokerage Processes Work



In addition:

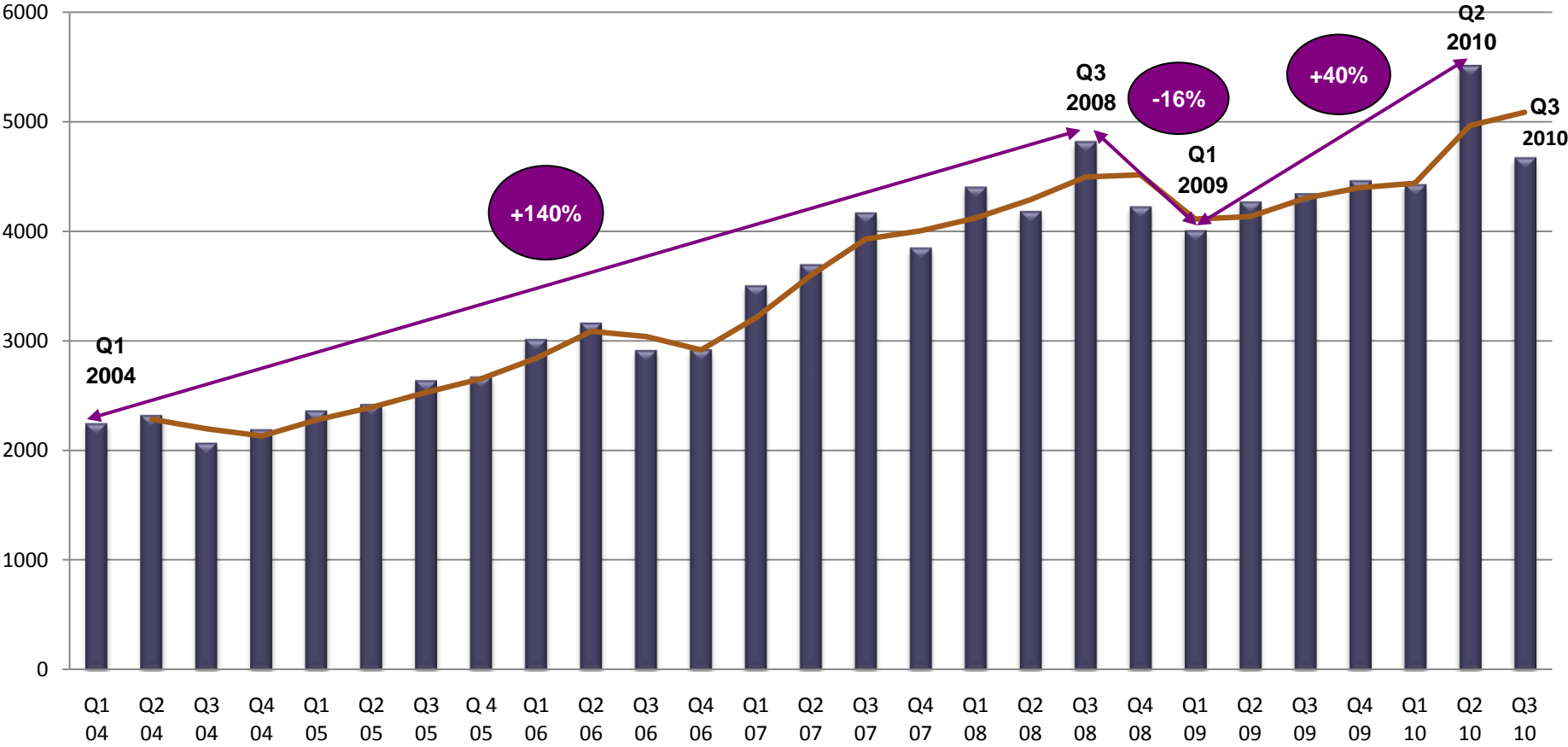
- A many to many relationship
- Up to tens of thousands of monthly invoices of up to a few thousands lines each
- Connection with GPS / EGAINS / EGUS

As a conclusion...

Brokerage processes are composed of multiple flows that make them difficult to manage accurately

Volumes in ETD Back to Pre-Crisis Levels

Derivatives Volumes Q1 04 – Q3 10 in Millions



Source: BIS/FOI

Other Drivers...

- Move towards off shoring
- Highly manual processing
- Multiple ad hoc developments
- Brokerage sophistication now beyond the admitted B/O scope
- Insufficient STP with downstream systems
- Fragmented/siloed back-office activities per asset class

&

Consequences

- Global workflow difficult to organize
- Global picture split over multiple systems – MIS isn't easy
- Discrepancies difficult to track and solve (payments vs. invoices)
- Poor understanding of the aged debt and of the accruals
- Difficult to set up a unified billing process.

- **Efficiency is low**
- **Risk of net financial losses is high**

Facts & Figures from Our Clients*

- From 40 to **12 000** active invoicing accounts
- From 400 to **30 000** invoices sent every month
- **<15%** of invoices immediately accepted
- 2 to **10** days to produce and send invoices
- 2 to **6** months for an invoice to be fully paid, but more than a third taking nearly a year or more
- 16 to **100 M\$** of total outstanding

- Our clients rate themselves **4,7/10** for receivables management and **3,7/10** for payables management

**From a SunGard-based client survey conducted in October 2010*

Expectations from Our Clients*

- Increase STP in brokerage processes
- Increase control
- Decrease manual estimates in payables computations
- Get the payables management out of the core BO system

**From a SunGard-based client survey conducted in October 2010*

Frederic Colette's Insight



Frederic Colette – Newedge Group

Managing Director and Global Head of Operations

- Reporting directly to the CEO
- Responsible for all aspects of the Operations business globally, and across all asset classes
- **A SunGard post-trade solutions long standing client**

F.Colette – About Market Drivers

- *“Brokerage processes are **manual** and we tend to be waiting for payables and receivables. [...] It is essential to be able to properly manage debt”*
- *“Sometimes we tend to have complicated situations with a **same counterparty in different countries**. On one side we could possibly owe them a lot of money in one country, while on the other side they could owe us a lot of money in another country”*
- *“One of the key driver is **harmonization alignment**: there is no reason to treat a bill differently from one region to the other. It’s the **same process worldwide** and it’s very important to get this alignment”*

I- Market Needs

1. **A Need for Efficiency**
2. A Need for Transparency
3. A Need for Networks
4. Current Status

F.Colette – About the Need for Efficiency

- *“Many brokerage firms have now decided to **centralize** their brokerage departments into one location; **off shoring** and **outsourcing** are increasing. This is why people need **one single system** which enables them to communicate together. This allows much more **efficiency**”*

Efficiency = Automation + Monitoring

- A need for automation with a single dedicated system
 - Provides maximum STP
 - From trade capture to payment reconciliation
- A need for monitoring
 - Especially when (partially) outsourced
 - A need for a workflow management capacity

I- Market Needs

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F.Colette – About the Need for Transparency

- *“When you have several systems, it is difficult to get a **transversal** or a detailed view of the situation”*
- *“[Brokerage processes] have a **large impact** in terms of finance, IT, operations and many people are involved”*

Transparency = A Need for Detailed Information

- **Diverse needs from multiple profiles:** traders, operations, managers, finance, compliance ...
- **A Management Information System (MIS)** is required
- A need for invoices **reconciliation at the trade level**

I- Market Needs

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F.Colette – About the Need for Networks

- “*EGAINS could basically allow us to **automatically** pay and receive the brokerage fees. The move towards EGAINS is really in order to get the bills **paid as soon as possible**”*

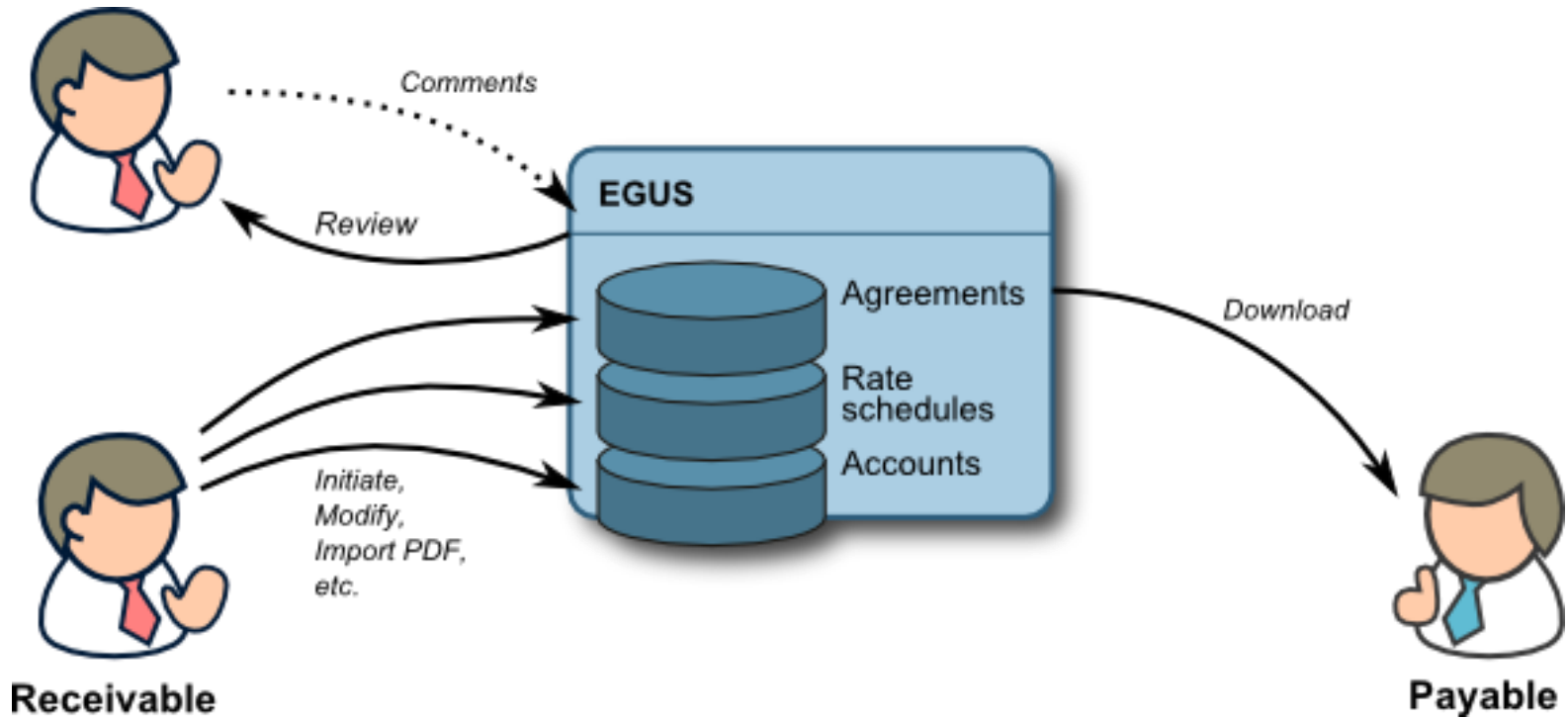
Networks – A Need for Connectivity

- Connectivity has become mandatory for firms to connect to **industry platforms** such as EGUS/EGAINS/GPS



- Firms require an **open/interoperable** solution, fully integrated with:
 - Exchange systems, in order to capture trades
 - Their back-office systems

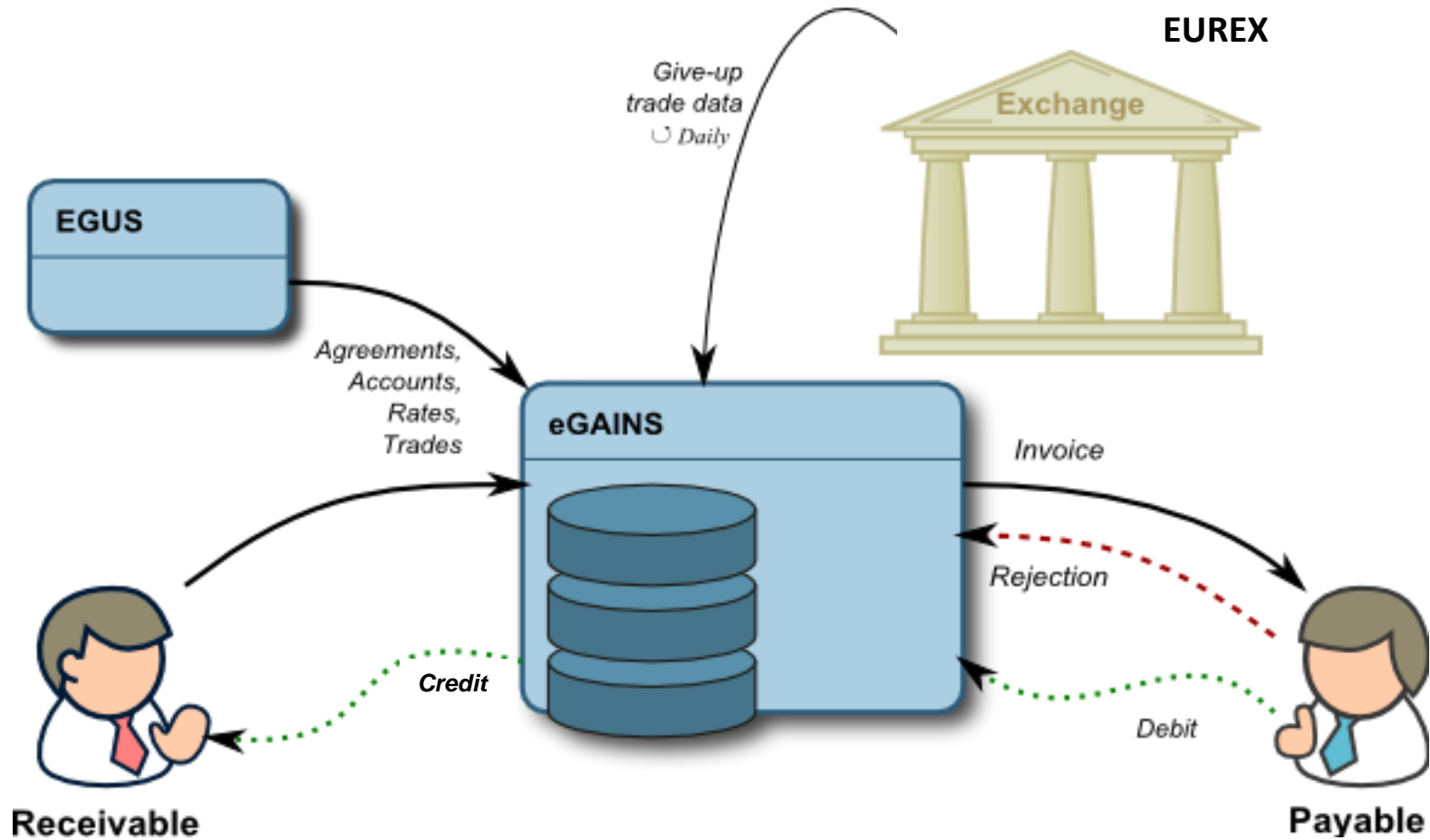
EGUS



EGAINS

Participating Exchanges:

ICE
LIFFE
EUREX



I- Market Needs

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4. **Current Status**

How Do Firms Currently Address Those Challenges?

- Efficiency
 - Automation = partial automation based on BO systems + tons of ad-hoc proprietary tools
 - Monitoring = ad hoc tools internally developed (spreadsheets...)
 - Transparency
 - MIS = vast majority of clients not equipped
 - Networks
 - Connectivity = vast majority of clients connected to GPS/EGAINS/EGUS but downstream is poorly automated and leverage is low
- **There is a need for a single solution addressing all those challenges**

II- How SunGard Helps

1. **Increase Efficiency**
2. Increase Transparency
3. Connect to Networks
4. What's Next?

How SBB Helps Increase Efficiency

- **Single dedicated solution** that automates the ETD brokerage billing process
- For firms offering brokerage services, execution only and/or clearing management
- **Full functional coverage**
- Offers **complete STP**
- Can be deployed **in-house** or in **ASP** through SunGard's hosting facilities

F.Colette – About SBB’s Efficiency

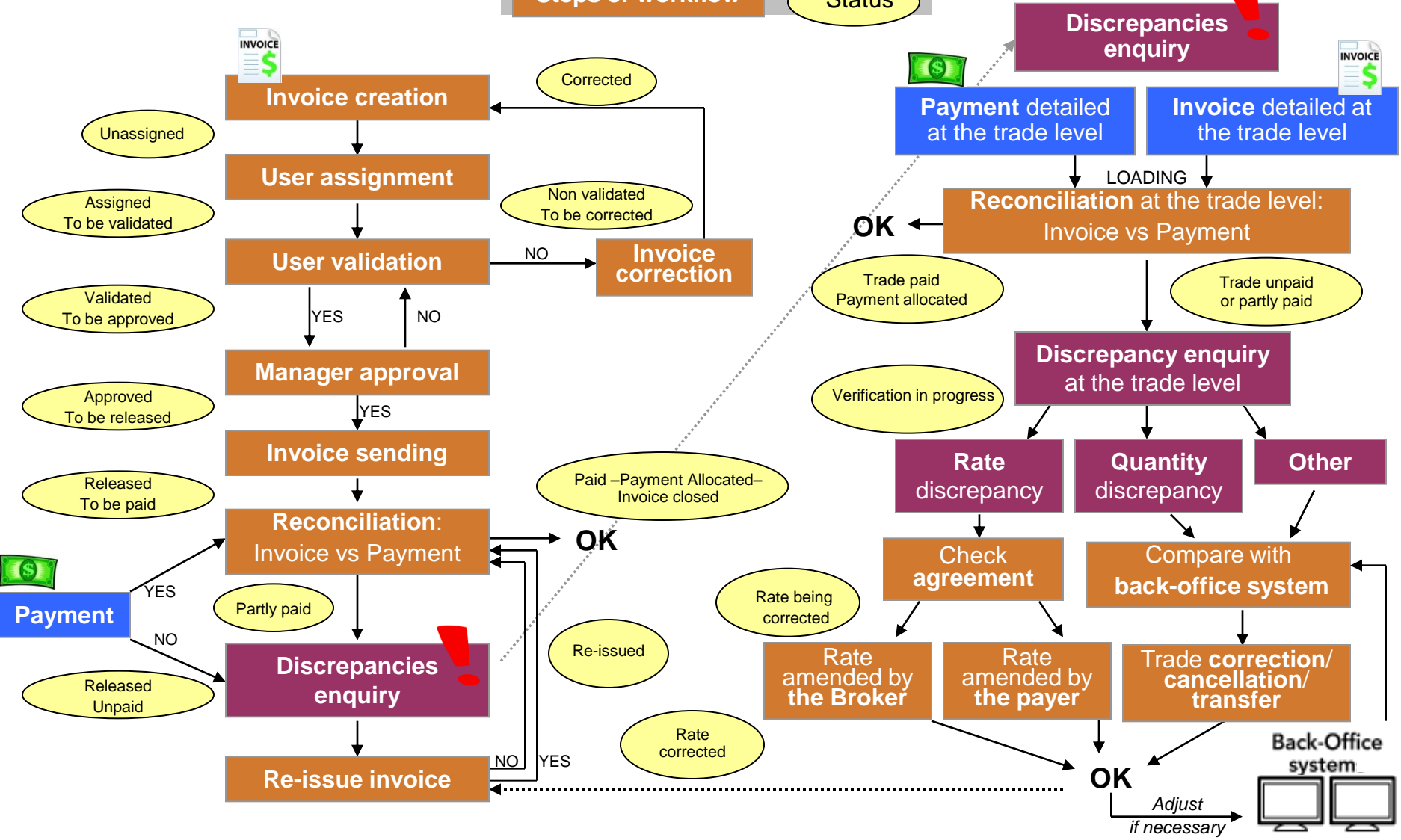
- *“Having a single system helps us [...] **streamline the process** and therefore have **accurate bills**. [...] The secret to get paid is to avoid making any mistakes”*
- *“I think the **debt management in SBB is quite efficient**. [It] allows us to **decrease the amount of debts** we have with our clients or our competitors [...]”*
- *“For us it is quite **efficient to get an ASP solution**. It doesn’t monopolize a lot of our internal resources because it is important for us to use them for what can differentiate ourselves from the competition”*
- *“But I think the most important point is that SBB helps us **speed up cash recovery** and therefore **avoid losses**”*

SBB's Workflow Process

- Offers **detailed status** at all steps of the payables or receivables process
- **Validation and blocking steps** defined by the firm/user
- Follow up on **payments, invoices and trades**
- **Web based** management dashboard to allow full control

Example of a receivables workflow process

Stream Brokerage Billing



II- How SunGard Helps

1. Increase Efficiency
2. **Increase Transparency**
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4. What's Next?

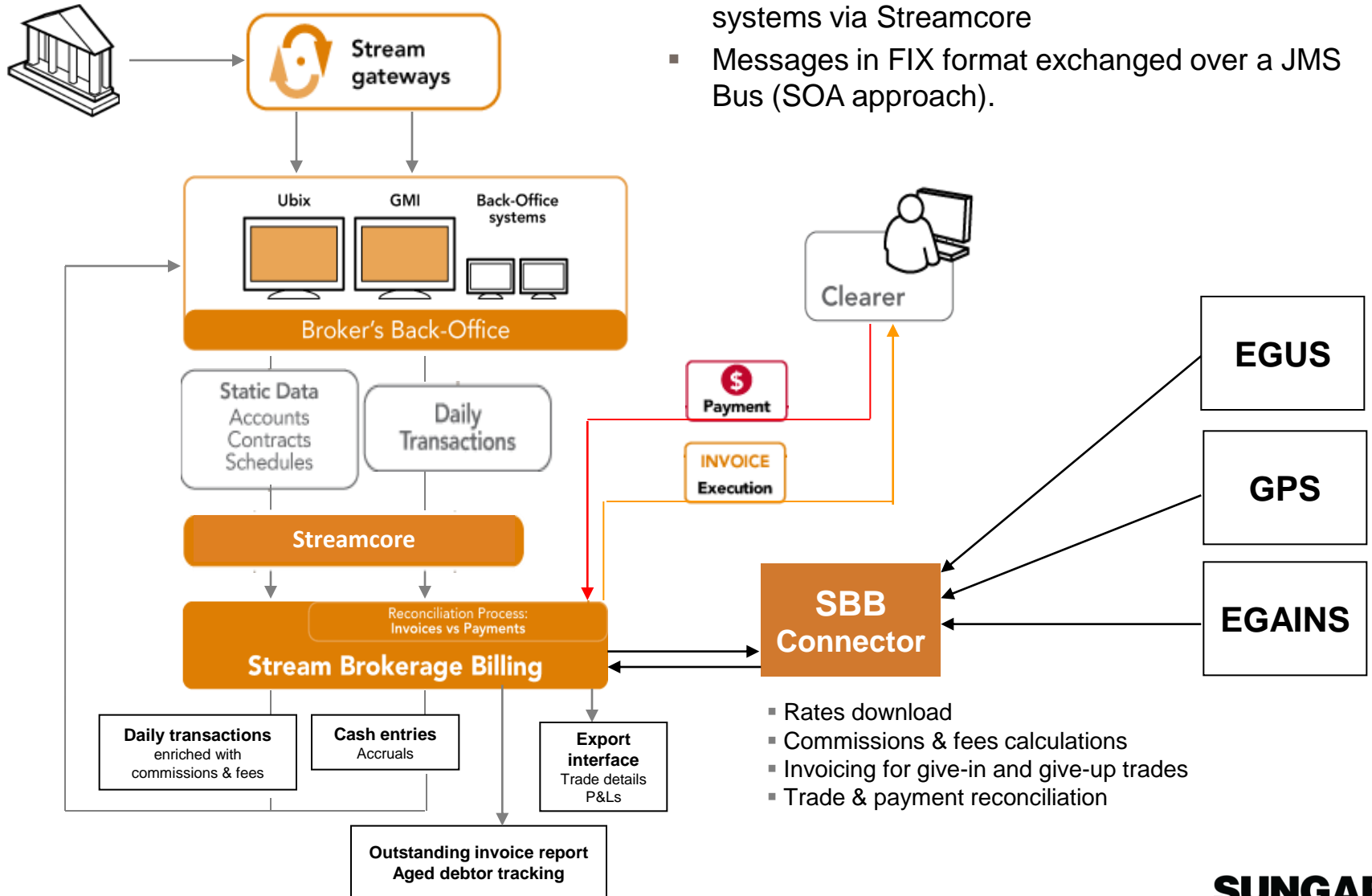
How SBB Helps Increase Transparency

- SBB's MIS
 - Easy access to aged debtors data through a web application
 - User-defined MIS-Aged debtors
 - Global/detailed summary views by profile
 - Comments added/archived/displayed at different levels
 - Follow-up functionality for managers and clerks
- SBB's reconciliation capability
 - Straightforward investigation with **drill-down capabilities** from summary to trade detailed invoices
 - Full reconciliation of cash payments and invoices **at the trade level** both for executing brokers and clearers

II- How SunGard Helps

1. Increase Efficiency
2. Increase Transparency
3. **Connect to Networks**
4. What's Next?

SBB's Connectivity



- Fully integrated with exchange systems and BO systems via Streamcore
- Messages in FIX format exchanged over a JMS Bus (SOA approach).

- Rates download
- Commissions & fees calculations
- Invoicing for give-in and give-up trades
- Trade & payment reconciliation

F.Colette – About SBB's Integration

- *“At Newedge, SBB is interfaced with the **accounting systems**, the **general ledger**, a **global trade load** to feed the system with the transactions as well as a reconciliation process. [...] We needed a system linked with **EGAINS**”*

II- How SunGard Helps

1. Increase Efficiency
2. Increase Transparency
3. Connect to Networks
4. **What's Next?**

SBB's Potential Extensions

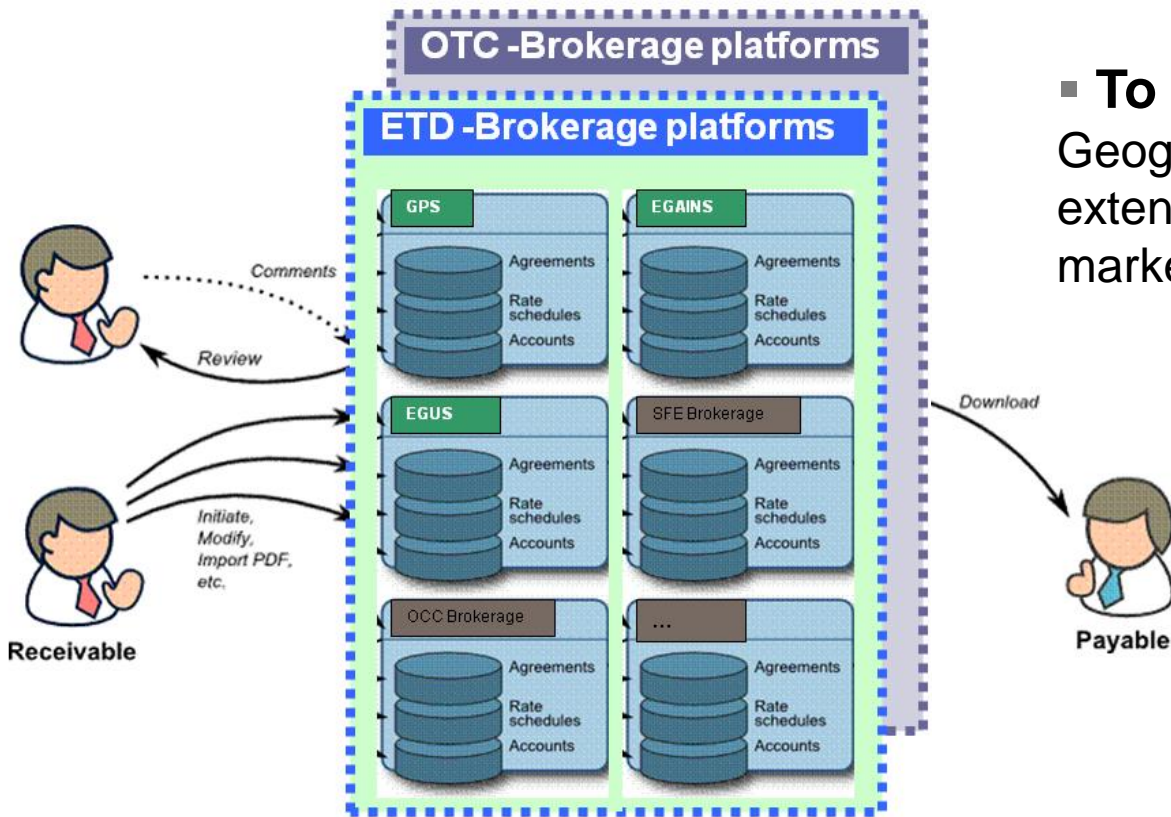
■ **Stream Exchange Fees**

- A post-trade data feed that will distribute data for Exchange and/or clearing fees globally
- A new SBB module dedicated to setting up, calculating, reporting and managing exchange and/or clearing house fees

■ **The Quoting Tool**

- Real-time quotations for all types of commissions & fees associated with the execution/clearing of a client/market/strategy
- To be interfaced with any SunGard/3rd-party FO/MO/BO system

SBB's Extension



- **To other brokerage systems:** Geographical coverage will be extended to follow this expanding market

- **To fully cover the OTC invoicing process:**
 - SBB's OTC module already handles commission & fees calculation and invoicing for plain vanilla OTCs
 - Enhancements are planned for a full functional coverage (same as ETD)

Go-to-Market Strategy



SBB: an Example of Our Component Approach

- Before 2008: brokerage functionalities were basic and a part of Stream Ubix/GMI, SunGard's BO systems
- 2008: the brokerage activity management was segregated from the core BO system to create SBB:
 - New tactical approach for brokerage management capability
 - Upsell strategy targeting Stream Ubix customers (102 T2)
 - Only brokerage processes automation offered at that time
 - 1 client implementing SBB (LON, CHI, HK and PAR)

SBB: 2010-2011 Go-To-Market

- 2009 and 2010:
 - SBB in the SunGard world: a strategic approach
 - SBB as a module of Streamcore, SunGard's data repository
 - From competitive selling to cross-selling
 - Market size=Stream GMI(66T1)+Stream Ubix(102T2) client bases
 - Workflow and MIS added to the SBB scope
 - 4 clients live by end 2010
- In the future
 - OTCs are being added to the scope (2011)
 - Towards cross-asset brokerage (starting with securities)

F.Colette – Why Did Newedge Choose SBB?

- *“In this particular field of brokerage management, SBB is quite **well positioned**. The system is **efficient** and it was an obvious choice for us”*
- *“In addition, SunGard is a long standing partner for Newedge, it is a nice **solid firm**, and it is always important to get a solid partner”*

Thank You for Your Attention



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