

Misys Opics Plus

## Credit Derivatives

**In today's business environment, banks are diversifying into new business sectors. As a result, margins are decreasing and new financial instruments are being introduced into the market. To remain competitive, financial institutions need to get these new financial instruments to market as quickly as possible and with minimal risk.**

**One such fast growing, complex market is the credit derivatives market.**

### The solution

To manage these changing needs of our customers, Misys has developed the Opics Plus Credit Derivatives module. It is an integrated module of Misys Opics Plus that provides a simple, extensible tool for creating and processing highly sophisticated, hybrid and complex derivatives. It currently includes credit linked notes, credit default swaps (such as iTraxx and CDX) and total return swaps for single assets and equity baskets.

Additionally, the integrated Opics Plus Customer Credit module supports the calculation and monitoring of exposure effects resulting from credit derivative transactions.

The module is a complete, automated, front-to-back-office straight-through processing (STP) solution that allows users to increase their STP rates, reduce the cost of transactions and minimise reconciliation. It includes a flexible interface to import revaluation results from external calculation engines.

### Key features and benefits

- + Flexibility – Flexible schedule processing and asset basket maintenance
- + Credit Risk Mitigation – Pre-deal credit exposure checks for protection seller, underlying assets issuer or all issuers part of an equity basket
- + Integration – Standard Misys Opics Plus transaction lifecycle events including deal capture, confirmations and settlements, accounting and reporting. Also integrated with Opics Plus Credit for calculation and monitoring of exposure effects and Opics Plus Cross Product Netting

- + Cost Containment – As banks look to control costs, the requirement for a product that crosses sectors is growing. Credit Derivatives works independently or in conjunction with other Misys Opics Plus modules (Swaps, Fixed Income, Customer Credit, Cross Product Netting etc.). The module includes processing for the following instruments:

#### Credit linked notes including:

- + Principal protected notes
- + Booted coupon notes
- + Enhanced coupon notes

#### Credit default swaps including:

- + Single leg – premium flow
- + Three legs – premium plus interest flow
- + Two legs – premium embedded in interest flow

#### Total return swaps on loans and equities (single and basket) including:

- + Total return
- + Or price only

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### Front-office

The Opics Plus Credit Derivatives module allows credit derivatives to be captured in the front-office. The Opics Plus front-office deal processing flow consists of deal entry with pre-deal credit check, automated front-to-back STP as well as calculation of credit using customer default probabilities against the buyer and seller.

### Back-office processing

Back-office deal processing for Credit Derivatives includes standard downstream functionality such as settlements, confirmations accounting and reporting.

Additionally, the Opics Plus Workflow Manager consolidates all back-office processing across the suite of Misys Opics Plus products in a user-definable workflow. The result is a front through back STP solution where only the exceptions are highlighted.

Deal confirmations can be generated and sent via SWIFT, fax or mail or can be interfaced to other settlement systems. Settlements to nostro and demand deposit accounts (DDA) are easily managed using the Opics Plus Nostro and Cash Management module. SWIFT payments are generated and nostro and cash balances can be projected.

### Credit default swap entry

The screenshot displays the 'OpicsPlus' software interface for entering a credit default swap. The main window is titled 'SWTE - CreditDefault'. The interface is divided into several sections:

- Deal Entry:** A table with columns 'Description', 'Value', and 'Decode'. The entry shows '31 HEADOFFICE'.
- Product Info:** A table with columns 'Description', 'Value', and 'Decode'. It includes details like 'Product code: CDSW', 'Product type: CDS', 'Value date: 29 Mar 2002', and 'Maturity date: 29 MAR 2008'.
- Financials:** A table with columns 'Description', 'Value', and 'Decode'. It shows 'CCY Amount: USD', 'Principal: 1,000,000.00', and 'Spread rate (%): 5.00000000'.
- Deal Events:** A table with columns 'Code', 'Description', 'Type', 'Code', and 'Label'. It lists events like 'BA', 'DE', and 'FP'.
- Reference Table:** A table with columns 'Reference name', 'Reference entity', 'Principal amount', 'CCY', 'Reset %', 'Issuer', 'Entry description', 'Quantity', 'Credit type', 'Credit group', 'Coupon rate', and 'Maturity date'. It lists references like 'BAM8' and 'CLN'.

The bottom right corner of the window shows the user 'BCAN', the location '31 HEADOFFICE', and the date '29 Mar 2002'.

The Opics Plus front-office deal processing flow consists of deal entry with pre-deal credit check, automated front-to-back STP as well as calculation of credit using customer default probabilities against the buyer and seller.

### Accounting and reporting

Accounting entries are automatically generated for deal date, value date, maturity date and reversal date events and include various attributes of the deal including notional amount, broker fees, mark-to-market (MTM) and accrual of interest. Misys Opics Plus produces a suite of reports specific to the Opics Plus Credit Derivatives module. These reports are transactional views, position and profit and loss, settlements, exceptions and accounting.

### Security and audit trail

This module has all the integrated security of Opics Plus, providing users with a complete audit trail for all database activity including deal input, updates, authorisations, dates, times and reversals. All of the information logged on the Opics Plus database can be retrieved and used for investigations and reporting purposes.

### Complete Credit Derivatives solution

The Opics Plus Credit Derivatives module works independently or in conjunction with a number of other Opics Plus modules to provide a complete and fully integrated treasury solution.

### Total return swap entry

The screenshot displays the 'SWTE - TotalReturnDefault' window in the OpicsPlus application. The window is divided into several sections:

- Header:** 'OpicsPlus' title bar, menu bar (Quit, View, Tools, Window, Help), and toolbar (Quit, Get, Schedule, Done, Calculate).
- Left Navigation Pane:** A tree view under 'Instruments' listing various financial products like Analytics, Call & Notice, Caps & Floors, etc.
- Main Data Entry Area:**
  - Deal Information:** Fields for Branch (31 HEADOFFICE), Deal no., Product code (DNCS), Product type (CS), Trader (BCAN), Value date (29 Mar 2002), Maturity date (29 MAR 2005), Customer (ATY), and National exchange (EURO).
  - Deal Summary Table:**

Decode	Value	Description	Value	Decode
ASSET	A	Purchase		Sale
UNITED STATES DC	USD	CCY	USD	UNITED STATES DOLLAR
		Fixed/Floating	Fixed	
		Rate code	1YUSD	1Y VARIABLE RATE USD
		Rate source	FLO/FERS	
		Rate type	VAR	
		Designated maturity	1Y	
		Fixed payment	3,000,000.00	3,000,000.00
		Interest rate (%)		
  - Deal Summary Table:**

Deal no.	Deal code	Deal date	Deal CCY	Deal exchange rate	Deal amount	Deal by CCY	Deal exchange rate	Deal amount
MPQ 5.75 5.27	1000000.00	98.5	USD	1	M	98.5000000000	1.00000000	M
BBW 5.5 5.27 2007	2000000.00	101.755	USD	1	M	101.7550000000	1.00000000	M
- Footer:** '31 HEADOFFICE 29 Mar 2002 BCAN'.



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