APPROACH TO IMPLEMENTING THE DYNAMIC BACKWARD SHIFT FUNCTIONALITY

SUMMIT
TRICKS AND TRAPS

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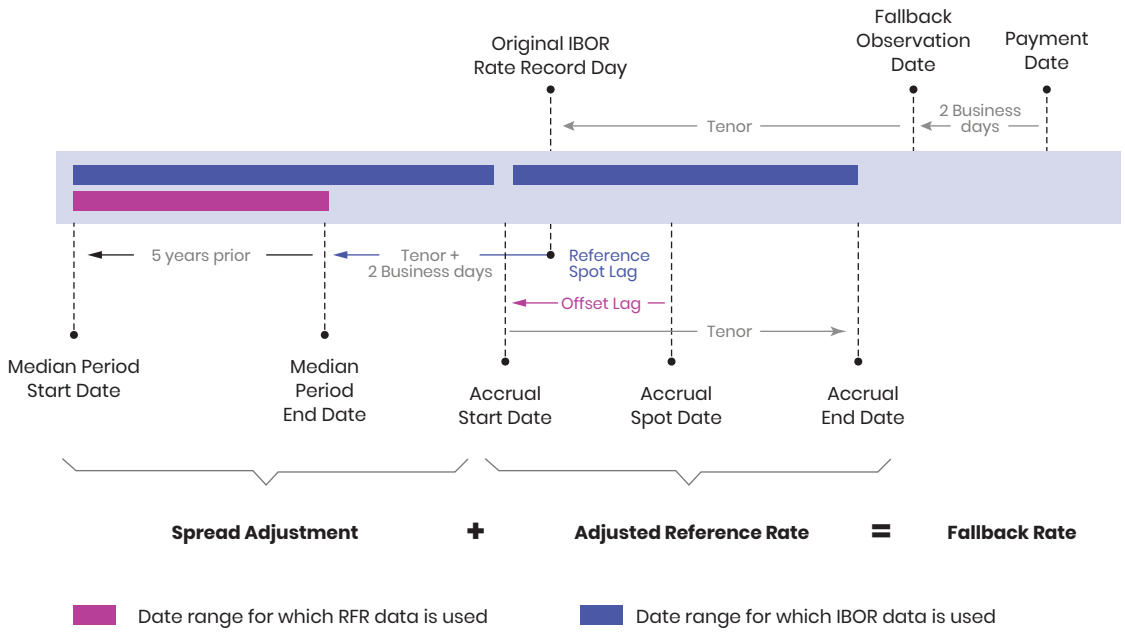
The dynamic backward shift methodology is used when the fallback rate is not available before the payment date as recommended by ISDA. This change is required to handle the IRS trades. It allows the client to derive a more accurate value when reporting risk or P&L.

Figure 1
Interplay of the key dates associated with the IBOR Fallbacks Rule Book and 2006 ISDA Definitions



Summit Offers Dynamic Backward Shift Functionality to Calculate Rates

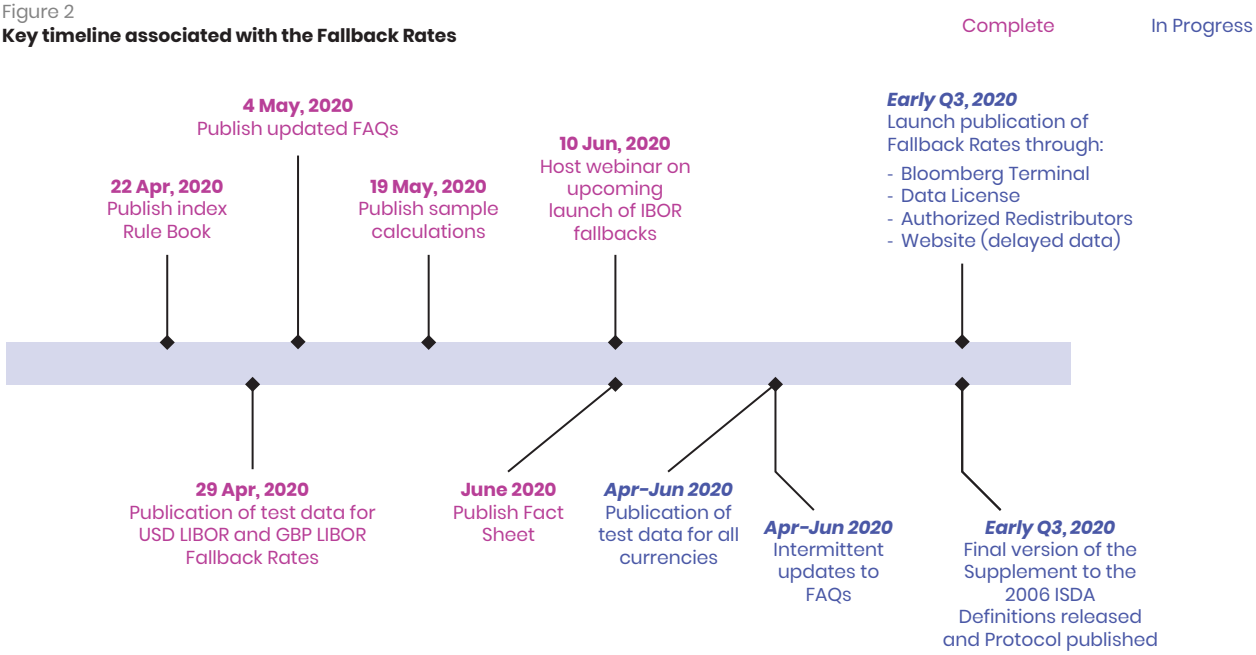
The dynamic backward shift gives the option to business owners to calculate the rate using the rate averaging method, or the ISDA fallback method, which uses the Bloomberg rates to apply the rate on trades.

This function uses special logic to identify accrual start date, end date, and use that to calculate the average rate or the ISDA fallback rate provided by Bloomberg. ISDA has chosen Bloomberg Index Services Limited ('BISL') to calculate various IBOR fallbacks as the official adjustment services vendor.

This implementation gives users a choice to select whether Summit should use the rate calculated by observation period shift or the rate that is coming from Bloomberg.

GreenPoint Summit, the Summit specialty services team at GreenPoint Financial, analyzed the purpose and parameters needed for the implementation of dynamic backward shift functionality in the client's environment.

Figure 2
Key timeline associated with the Fallback Rates



Purpose of The Utility

The purpose of the utility is to generate future fixing dates, which will be based on dynamic backward shift logic implementation in the latest versions of Finastra. The utility will generate fixing dates and store them in a new structure in Summit, overwrite the next fixing date on the dmASSET, and fix the rate on the trade with the rate from dmREFRATE (BBG rate stored) using a specific identifier. Several challenges were met by the team when inserting the parameters required for smooth working of the utility.

Parameters to be Inserted for The Utility

SAVE - using this option, the utility will perform the following functionalities:

- Generate fixing details for future periods
- Update the next fixing date with newly-calculated fixing detail
- Generated fixing details will be saved on the new structure on the trade
- Save the trade in the database.

RESET - using this option, the utility will perform the following functionalities:,

- Check the next fixing date on the trade with generated fixing details
- Generate an FRC event on the trade with the given Bloomberg rate
- Save the trade in the database.

Without SAVE/RESET Parameters - Utility will perform the following functionalities:,

- Generate a report with fixing details

The Expected Output After Implementation

The utility will generate an output report based on the input parameters.

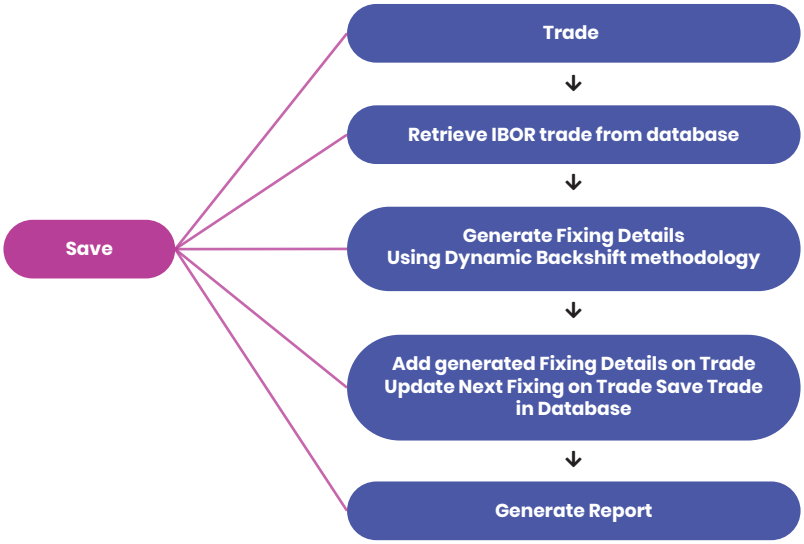
SAVE - Using this option, the report will contain fixing details generated by the utility.

RESET - Using this option, the report will contain the rate-fixing performed on trades.

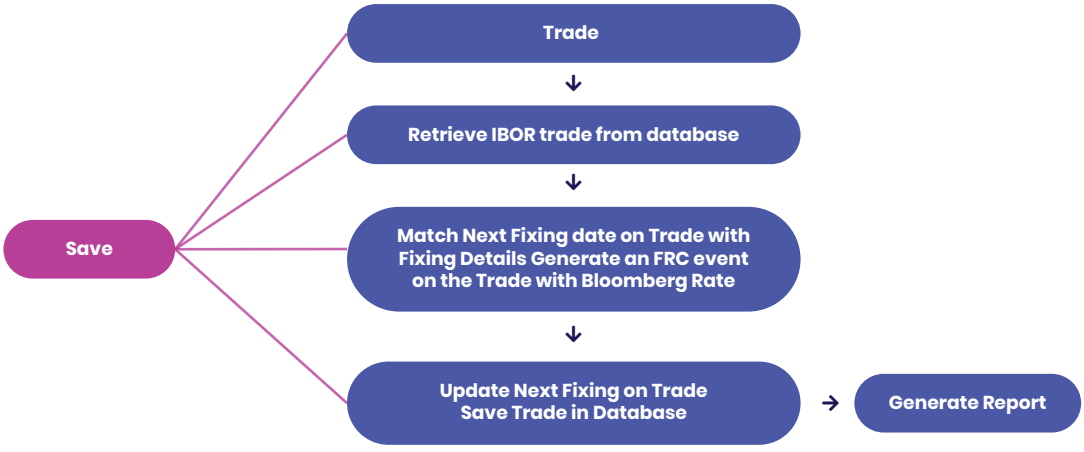
After the implementation of the functionality, the workflow - SAVE and RESET was changed to meet the client's requirements.

Changes in The Workflow with Dynamic Backward Shift Functionality

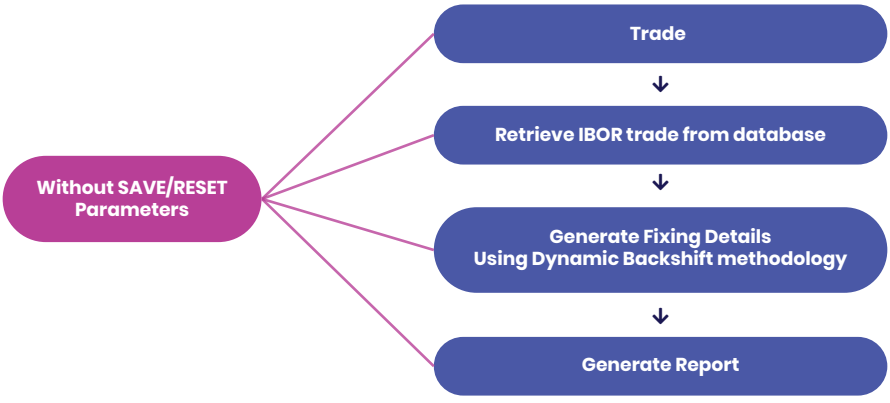
With the SAVE parameter, the client can:



With the RESET parameter, the client can:



Without the SAVE/RESET parameter, the client can:



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ABOUT GREENPOINT SUMMIT

- GreenPoint Summit is a comprehensive platform encompassing new implementations, version and module upgrades, product and application development, test automation, cloud migration, and system maintenance
- Our quantitative services and platforms include Libor Replacement Simulation Tool (LRST), curve creation, recreation and management, model validation and documentation, and creation of challenger models for regulatory compliance.
- Our summit professionals also provide data porting, migration and management as well as cloud services.
- Over the last year we have completed several projects including full system upgrades, Libor/RFR migration, replacement of valuation frameworks, and custom code creation and testing for large global banks and insurers.

GreenPoint> Financial

ABOUT GREENPOINT FINANCIAL

- GreenPoint Financial is a division of GreenPoint Global, which provides software-enabled services, content, process and technology services, to financial institutions and related industry segments.
- GreenPoint is partnering with Finastra across multiple technology and services platforms.
- Founded in 2006, GreenPoint has grown to over 500 employees with a global footprint. Our production and management teams are in the US, India, and Israel with access to subject matter experts.
- GreenPoint has a stable client base that ranges from small and medium-sized organizations to Fortune 1000 companies worldwide. We serve our clients through our deep resource pool of subject matter experts and process specialists across several domains.
- As an ISO certified company by TÜV Nord, GreenPoint rigorously complies with ISO 9001:2015, ISO 27001:2013, and ISO 27701:2019 standards.

Sanjay Sharma, PhD

FOUNDER AND CHAIRMAN

Sanjay provides strategic and tactical guidance to GreenPoint senior management and serves as client ombudsman. His career in the financial services industry spans three decades during which he has held investment banking and C-level risk management positions at Royal Bank of Canada (RBC) Goldman Sachs, Merrill Lynch, Citigroup, Moody's, and Natixis.

Sanjay is the author of "Risk Transparency" (Risk Books, 2013), Data Privacy and GDPR Handbook (Wiley, 2019), and co-author of "The Fundamental Review of Trading Book (or FRTB) - Impact and Implementation" (Risk Books, 2018).

Sanjay was the Founding Director of the RBC/Hass Fellowship Program at the University of California at Berkeley and has served as an advisor and a member of the Board of Directors of UPS Capital (a Division of UPS). He has also served on the Global Board of Directors for Professional Risk International Association (PRMIA).

Sanjay holds a PhD in Finance and International Business from New York University and an MBA from the Wharton School of Business and has undergraduate degrees in Physics and Marine Engineering. As well as being a regular speaker at conferences, Sanjay actively teaches postgraduate level courses in business and quantitative finance at EDHEC (NICE, France), Fordham, and Columbia Universities.

Preetham Patibandla

SENIOR MANAGER

Preetham has overall 13 years of experience in the IT industry, and around 12 years in Fusion Markets Summit, a product of Finastra. He has worked with clients such as Credit Agricole CIB, Lloyds Bank, Bank of Ireland, and Deutsche Bank, to name a few. He has strong domain knowledge in the areas of Treasury and Capital Markets. He has experience working in the areas of business analysis, quality assurance, and production support. He has worked on Summit upgrade projects, RFR migration, regulatory reporting, client customizations, and test automation using RightClick, and also has experience working on issues covering most areas from front to back office. He also worked for Finastra as a functional consultant for Summit supporting clients globally starting from version 5.x to 6.x and as a customer advocate who worked closely with clients in prioritizing their defects, enhancements, and arranging delivery for the same.

Preetham holds an MBA in Finance from Sri Sathya Sai University and B.Tech in ECE from JNTU, Hyderabad. He also has certifications in ITIL and NSE modules.

Preetham likes reading non-fiction and playing cricket. He was part of the Finastra cricket team and has participated actively in CSR activities of Finastra including RangDe.

Preetham lives with his family in Hyderabad, India.

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