Thunderhead
Derivatives Trade Confirmation Solution

Partner Solution

- **Target Industries**
  Banking and Financial Markets
  Insurance

- **Business Applications**
  Back Office Automation
  Compliance
  Communications Management
  Document Generation
  Transaction Management

- **Products**
  IBM Content Manager
  IBM FileNet Business Process Manager
  IBM FileNet Content Manager
  IBM FileNet eForms
  IBM DB2 pureXML
  IBM InfoSphere Enterprise Records

THUNDERHEAD ®

Business Challenge

Failing to confirm derivative trades in an accurate and timely manner can result in increased risk, cost and sanctions from industry regulators. In addition, the failure to confirm a transaction may jeopardize its enforceability or the ability to net it against other transactions. Furthermore, to the extent that it allows errors in recording transactions to go undetected, an unconfirmed transaction may cause market or counterparty credit risks to be misrepresented and, most seriously, to be underestimated.

The significance of this problem depends upon the nature of the error and the type of transaction involved. This risk is perhaps greatest for transactions with errors in the quantitative terms of deals, particularly transactions for which errors could go undetected for long periods of time, such as long-dated forwards that do not provide for a payment to be made or received for several years.

Solution

The Thunderhead Derivatives Confirmation Solution (DTCS) consists of three core software components that work together to manage and maintain incoming trades, automate the assembly, production, and distribution of trade confirmations, and support exception processing. These core components are:

- Thunderhead NOW platform for dynamic creation and delivery of confirmations and other personalized documents.

- IBM Enterprise Content Management and Business Process Management products for orchestrating workflow and content archiving.

- IBM DB2 pureXML™ to store and maintain trade data, provide highspeed data access services, and support subsequent trade analytics.

DTCS leverages the highly scalable Thunderhead NOW production platform to automate the assembly, production and distribution of all manner of trade confirmations including high-volume, standard confirmations and exotic confirmations requiring manual review and editing. In addition, DTCS provides a powerful exception handling framework that integrates seamlessly with IBM FileNet Business Process Manager. Document exceptions are processed through the integrated architecture to generate workflow items or invoke Web services to return a document of interest. If a trade confirmation cannot be handled in a straight-through-processing manner, users can define conditions that cause the trade to be automatically forwarded to an exception process for controlled human interaction.

DTCS also uses XML trade data from DB2 pureXML as the basis to both start a document generation process and "fill in" trade data and characteristics onto a rendered trade confirmation. The trade data is merged with the trade template to create what is called a "Review Case" under an exception condition. This Review Case can then be placed into the workflow for an approval process. In addition, DTCS includes a document editor plug-in that can leverage various Webor dashboard-based technologies to enable the participants of an exception process to edit the confirmation. Specific sections or even words on the document can be locked in read-only mode for specific users and/or groups, providing highly granular security control. An audit trail is also maintained that details what changes were made, when they were made and by whom.

The Thunderhead NOW platform empowers business users to create and manage document templates for both personalized and transaction-driven communications, freeing up IT resources. Content can be automatically formatted for delivery via any output channel, including print, fax, Web, e mail, SMS and industry-specific XML schemas such as FpML for DTCC's Deriv/SERV clearinghouse.Once generated, the workflow can automatically route the output as needed to further streamline operations, and content can beautomatically archived in the content management system for record-keeping.

Value Proposition

By leveraging DTCS to automate the trade confirmation process and manage critical trade information and confirmation documentation, organizations can derive the following benefits:

- Reduced operational risk;

- Improved operational efficiency;

- Improved client service;

- Increased volume of confirms processed while reducing costly exceptions;

- Ability to leverage XML for multi-channel communications;

- The ability for firms to leverage external data matching services such as DTCC and SWIFT; and

- Improved time-to-market for new financial instruments.

Company Description

Thunderhead develops next-generation technology that automates the creation and assembly of high-volume, multi-channel documents. Thunderhead is the world's first document generation platform to be built purely around XML, and the first to use natural language algorithms and usability theory to put the business user, rather than IT specialists, firmly in control of the confirmation process. Customers include most of the leading investment banks worldwide, such as Morgan Stanley, Lehman Brothers and Nomura.

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