

# SIS SEGAINTERSETTLE AG: INTRADAY PRICING SERVICE FOR REPO COLLATERAL MANAGEMENT

Working together with partners in the Swiss financial services industry, SIS SegalInterSettle AG (SIS) has been continuously upgrading its Triparty Repo Service for the past eight years. This service was developed specifically for trading, settlement and risk management in the Swiss repo business. In view of the new risk requirements of Basel II, SIS decided in 2004 to integrate Telekurs Financial's Intraday Pricing Service in its IT environment for repo collateral management. As a Valordata Feed user, SIS already had an interface it could use to this end. This helped simplify the project as well as speeding it up. The Intraday Pricing Service went live at SIS on 4 July 2005 and now meets all market requirements with regard to both data quality and timing.



SIS SegalInterSettle AG (SIS) is very much in demand worldwide as a specialist in cross-border settlement and a custodian of both Swiss and international securities. Working in cooperation with partners in the Swiss financial services industry, SIS has been continuously upgrading its triparty service for repo transactions in Swiss francs ever since 1998, and since April 2005 has been able to provide a repo service for various foreign currencies too (multi-currency repo). Repo trading and repo settlement are both handled using the tried and tested infrastructure of the Swiss Value Chain (consisting of the Eurex Repo trading platform, SIS, the Swiss National Bank and Telekurs Group company SIC AG). The procedure is concurrent and fully automated making for straight-through processing.

## Great growth potential in the repo business

The Swiss repo business is doing well at present with both Swiss franc and multi-currency volumes rising steadily, and has tremendous growth potential for all the market players involved. Repo collateral management is one of SIS's core businesses. In view of the new risk requirements of Basel II, SIS therefore decided in October 2004 to find a new intraday pricing solution for all collateral deposited in connection with repo transactions. Theo Wyrsh, Head of Repo & SLB Services at SIS, explains the decision as follows: "SIS used to rely on the end-of-day prices provided by the Valordata Feed and then correct these manually in response to fluctuations during the day. This method involved too great a risk, however, because with repo volumes in the order of tens of billions, even minute price fluctuations trigger payments among the counterparties in order to secure the collateral coverage."

## The requirement: high-quality data and flexible timing

When developing a new solution, SIS also had to take the requirements of the Advisory Board into account. This body is made up of representatives of Eurex Repo and the Swiss National Bank and its role is to monitor and provide professional support for all major decisions and course changes on the Swiss repo market. The Advisory Board's requirements with regard to data quality were very explicit. While on the one hand, valuations were to be as up-to-date and market-compliant as possible, on the other, the risk of fluctuations and resulting shifts in coverage or margins were to be kept to a minimum. It was clear that the end-of-day rates supplied by the Valordata Feed would not be able to satisfy this demand. After a brief assessment of what various other global providers had to offer, it soon became clear that the answer was to build on SIS's existing partnership with Telekurs Financial.

**SIS** Group

SIS Swiss Financial Services Group AG

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Theo Wyrsh, Head of Repo & SLB Services, SIS SegalInterSettle AG

## The aim: integrating the Intraday Pricing Service with a minimum of IT upheavals

The Intraday Pricing Service (IPS) from Telekurs Financial permits up-to-date, customized pricing of portfolios and securities holdings several times a day. During the past two years, some forty national and international financial institutions and financial service providers, including UBS, ABN Amro and Euroclear, have opted for the service. At the end of 2004, the Advisory Board examined the scope and data quality of the Intraday Pricing Service, specifying both the types of prices required and the timing of the snapshots. The board then concluded that all the requirements of an efficient repo collateral management system were met. As Wojtek H. Szott, Project Manager at SIS Systems AG, recalls: "Because Telekurs Financial, SIS and the Advisory Board were exchanging know-how all the time, any problems and doubts that arose could be remedied during the evaluation process. This in turn helped generate confidence in the service among all the market players involved."

## Swift project completion thanks to the existing VDF interface

For SIS, the project for the integration of the Intraday Pricing Service began in April 2005 with its own IT environment. As Wojtek H. Szott explains: "This project was made up of two important components. Not only did we have to optimize our processes ready to receive the price data and adapt them to the snapshot timing agreed, but we also had to keep a close eye on data quality." To achieve this, SIS placed the intraday prices of 1200 securities and selected Forex prices on a test server and, before giving the system the go-ahead, simulated its current repo transactions against comprehensive test scenarios. The Intraday Pricing Service finally went live at SIS on 4 July 2005.

The Intraday Pricing Service had one advantage that was crucial to the swift completion of the project. As a client of Valordata Feed, SIS was already using an interface that could be used for this project as well. Theo Wyrsh remembers well the sense of relief he felt: "We were able to reassure our own clients that the project would be completed quickly and without changes to our IT infrastructure." Another advantage was the fact that once the Intraday Pricing Service was up and running, SIS no longer had to make time-consuming manual corrections to the end-of-day prices for its repo business. In addition to the five scheduled snapshots, SIS also uses file transfer via an FTP server to obtain selected intraday data and, thanks to the quality of the data provided, now has a sound basis on which to calculate its margins and to value its collateral correctly. The Intraday Pricing Service is also flexible enough to be adapted to new market requirements as well.

### The advantages of the Intraday Pricing Service at a glance:

- Global supply of data in tried and tested Telekurs quality
- Individual choice of price types, instruments, exchanges and valuation times
- Easy uploading and downloading of files via FTP server. Existing clients of Valordata Feed also stand to gain as they can obtain the Intraday Pricing Service via the same interface.
- Individual timing of snapshots for Intraday data. In the event of new market requirements extra snapshots can be added without difficulty.
- Throughout the project phase, the data can be supplied in the form of test files and adapted to the client's specific requirements.

As Theo Wyrsh explains: "If we had to run an extra valuation in mid-morning, for example, we could simply order an additional delivery of the latest prices at the appropriate time. This flexibility is one of the main advantages of the Intraday Pricing Service." SIS is very pleased with the Intraday Pricing Service: After a project lasting just three months, the Intraday Pricing Service went live at SIS on 4 July 2005 and now meets all the market requirements with regard to both data quality and timing. Thanks to its successful project work with Telekurs Financial, the attractiveness of SIS's triparty service for repo transactions is undiminished.

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