Investment Process Framework: Key Areas of Focus

Area

Front Office/Middle Office — *Interpretation and validation of trading activities*

Operations — *Operating activities to support trading and servicing*

Accounting — *GAAP accounting functions and reporting*

Downstream Consumers — *Downstream users who are consumers of generated information*

Activities

Trade Entry & Pricing

- Trade Entry & Validation (e.g. upfront trade edit)
- Pricing
- Trade Cancel/Correct
- Fixed Income Research (Pre-Payment Model)
- Repo Roll Investment (Financing w/ Purchase/Sale)
- Other*

Trade Enrichment / *Operations*

- FAS 115 Intent
- Trade Enhancements to Hedge Data
- Security Type Identifier
- Trade Review
- Hedge Effectiveness Test
- Month End Pricing
- Risk Management Assessment
- Additional Trade Enrichment†
- Trade Confirmation/Affirmation
- Securities Settlement
- Securities Reconciliation
- Securities Inventory
- Cash Clearing
- Risk Reporting
- Compliance
- Failed Trade Processing

Data Repositories

- Security Master Maintenance
- Operational & Control Reporting
- Operational Data to Sub Ledger Reconciliation
- Data Validation
- Reference Data Correction

Trade & Portfolio Accounting

Trade Accounting
- Buy/Sell
- Allocation
- Expected Settlement
- Actual Settlement

Portfolio Accounting
- Accrual
- Amortization
- Cash Payment
- Impairment
- Mark-to-Market (FAS 115)

Adjustments & Reports

Adjustments
- Intercompany Charges
- Reference Data Changes
- Price Changes
- Corporate Actions

Reporting
- Accounting Policy Implementation
- Management Reporting
- Accounting Control Reporting
- Core Business Earnings
- FAS 157 Reporting

GAAP/Tax Reporting

- Review of General Ledger Entries
- Net Basis Accounting
- Corporate GAAP Reporting (Consolidated)
- Fair Value Balance Sheet

Other

- Corporate Budgeting and Expenses
- Regulatory/Compliance Reporting

◆ Other Includes:
- Impairment Analysis to support FAS 115 impairment
- Trade exception reporting (e.g., extra-ordinary/restricted trades)
- New product development

† Additional Trade Enrichment To link trades to the Hedge Effectiveness Testing

* Trade enrichment encompasses the application of the appropriate indicators to the trade record for downstream data consumption, according to the guidance established by downstream consumers.

Rationale

Automated tools and technology maximize efforts to enhance risk management controls and reporting capabilities.

- Closer proximity to trade decision and intent (key terms, relationship between trades, etc)
- Alignment of securities processing with group or area that has best knowledge, tools and skill-set to accomplish the task
- Facilitates straight-through processing, and minimizes back-end data changes
- Enhances Accounting's ability to provide true control, review, and oversight functions over critical processes

Platforms

- Analytical Trade Evaluation Models
- Trade Entry
- Data Repository
- Procedures and Investment Process Roadmap
- Trade Documentation and Collection
- Financial Reporting
- Risk Management Reporting