



Ready Application

Cash Reporting Provider 2009



Clareti³ Cash Reporting

Providing banks and their corporate customers with real-time liquidity management information in SWIFT Cash Reporting format

Governor Randall S. Kroszner, Board of Governors of the Federal Reserve System:

“Timely and accurate information is the lifeblood of sound risk management. A good risk-management structure must encompass risks across the entire firm, gathering and processing information on an enterprise-wide basis in real time. In short, you cannot manage your risks if you do not know what they are.”

The American Bankers Association Spring Summit Meeting, Washington, D.C

“The Importance of Fundamentals in Risk Management” March 11, 2008

Managing liquidity risk in the 21st Century requires real-time solutions and real-time thinking

The Clareti Cash Reporting service was launched in 2004 and is now presenting real-time information to some of the world's largest banks on the equivalent of \$140 Trillion per annum. These banks can now manage liquidity risk in real-time and are one day ahead of the competition. It's the right time for real-time.

The Problem

Traditionally, Liquidity Risk Management has been treated as an 'after the event' process, with management based on historic data and lagging indicators coupled with best guess estimates by a few experienced hands.

This is primarily because the information necessary to support sound risk management decisions has historically only been available post settlement date. Interpretation of the associated liquidity risk has then been reliant on the experience of a few key individuals within the bank.

Surely this isn't a basis on which the Board of a bank should be signing off liquidity risk in the 21st Century.

So why, according to Bruce Wasserstein, CEO of Lazard, does the "risk management" emperor still have no clothes?

The Industry View

The industry is well aware of the issue and the recent 'credit crunch' has only served to underscore the need for reform.

The Bank for International Settlements (Basel Committee on Banking Supervision) issued a Consultative Paper in June 2008 outlining "Principles for Sound Liquidity Risk Management and Supervision". The draft paper noted that:

"Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions."

As the title suggests, the draft paper identifies a number of key Principles relevant to this discussion:

- A bank is responsible for the sound management of liquidity risk.
- A bank should establish a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.
- Supervisors should assess the adequacy of both a bank's liquidity risk management framework and its liquidity position and should take prompt action if a bank is deficient in either area in order to protect depositors and to limit potential damage to the financial system.
- A bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.
- A bank should have a sound process for identifying, measuring, monitoring and controlling liquidity risk. This process should include a robust

framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons.

- A bank should actively manage liquidity risk exposures and funding needs within and across legal entities, business lines and currencies, taking into account legal, regulatory and operational limitations to the transferability of liquidity.

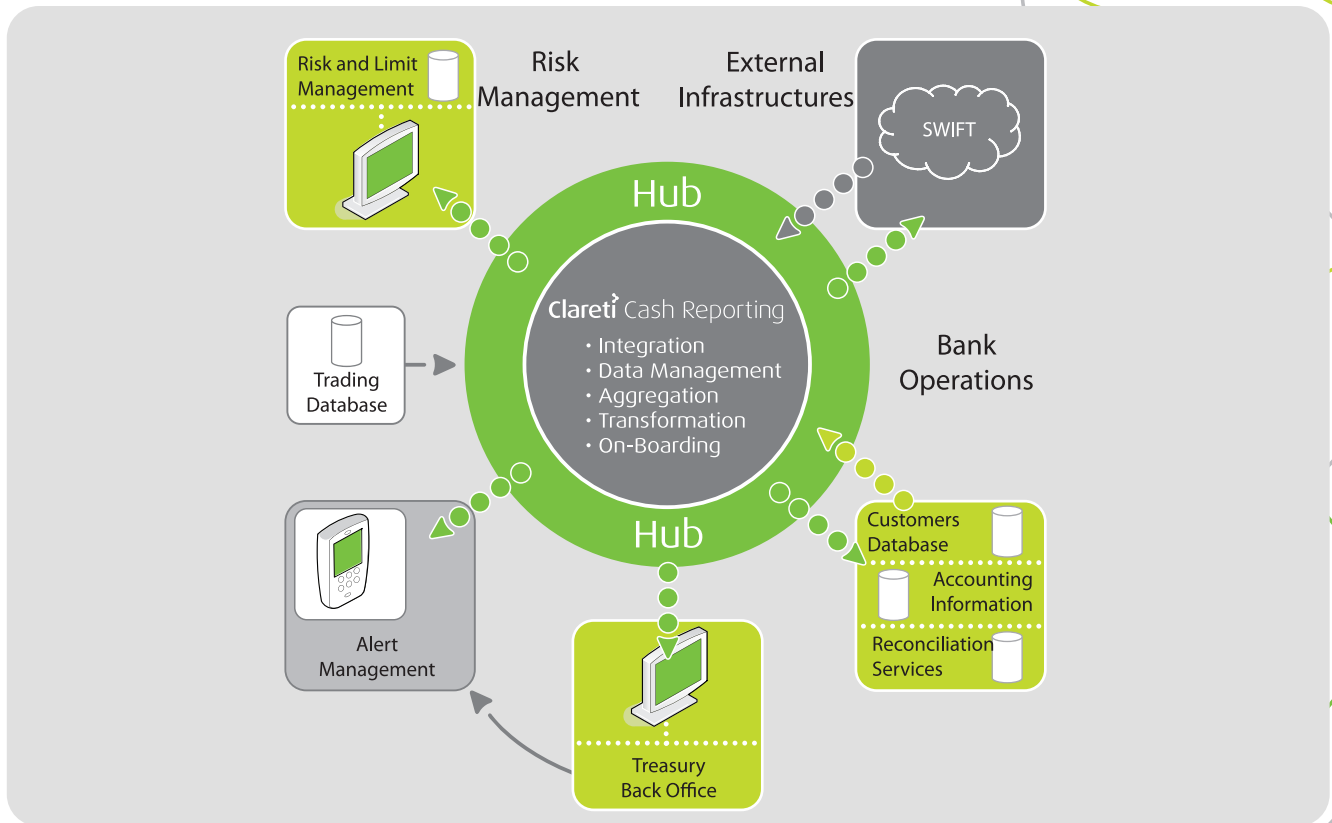
The report is clear: banks need to manage their liquidity better and demonstrate this new management control to regulators.

Randall S. Kroszner, Governor of US Federal Reserve, provided the American Bankers Association with the regulator's view in March 2008:

"Timely and accurate information is the lifeblood of sound risk management. A good risk-management structure must encompass risks across the entire firm, gathering and processing information on an enterprise-wide basis in real-time. In short, you cannot manage your risks if you do not know what they are."

How Can Gresham Help with Liquidity Risk Management?

The Clareti Cash Reporting service has been designed specifically to give banks real-time availability of cash transaction data so that those responsible for managing the bank's liquidity can develop proactive



decision management tools combining expected event information with real-time and historic transaction and balance data. Decisions can be made on up to date information and models can be run to stress test historic decisions for effectiveness.

The service is currently presenting the equivalent of US\$140 Trillion per annum to banks using the service and has been operational 24x7 since 2004. These banks are pro actively managing liquidity in real-time, reducing risk and increasing customer satisfaction. They have a demonstrable liquidity risk management process with real-time reporting and historic stress testing. If you would like to manage your liquidity in real-time then simply speak to a Gresham representative. You will need to subscribe to the service and ask your correspondent to send data to the Gresham service, preferably over SWIFTNet, in the currencies you require. We currently have 31 global banks signed up to provide data into the service and if your correspondent isn't one of them then we can assist you with bringing your named bank on board.

The hosted service is located within a highly secure environment with full remote Disaster Recovery site and has been audited by user banks. The environment is supported by hardware and software engineers 24x7.

Clareti Cash Reporting Software is recognised by SWIFT for provision of Cash Reporting data and is accredited SWIFT Ready Cash Reporting Provider 2008.

Effective Liquidity Management

Are you able to demonstrate effective management of your liquidity during the day?

Gresham's Clareti Cash Reporting service allows banks to monitor balances and Nostro account movements in real-time. Through receipt of real-time transaction advises the service can calculate the latest account balances, both booked and available, and aggregate them into a single view. It can alert the user to payments received and to payments that have not been received, permitting real-time pro active resolution of liquidity issues intra day. Historic data can be exported to build activity profiles to enable trend monitoring, stress

testing and modelling based upon analysis of past events. With Clareti Cash Reporting a bank can demonstrate effective management of liquidity.

Allocated Liquidity Costs

How will you allocate liquidity costs without real-time information?

Clareti Cash Reporting transaction advises carry four timestamps to enable analysis of account activity by the second. Real-time account usage data can be exported to billing systems to enable accurate cost calculation and apportionment. Transaction histories stored within the Clareti Cash Reporting database provide a reliable and robust source of information for calculation of liquidity opportunity costs or profit. With Clareti Cash Reporting a bank can allocate liquidity costs accurately.

The Role of Supervisors

Will your risk and liquidity management framework withstand public scrutiny?

Public scrutiny is likely to take the form of a regulator reviewing the adequacy of procedures although as has been evidenced more recently,



the general public will make their own mind up based on reports from the regulators with consequential damage to the bank's market value. Managing the bank's liquidity position based on out of date information is no longer an option.

With the Clareti Cash Reporting service, a bank can demonstrate a framework for liquidity management in real-time and provide evidence of the bank's real-time liquidity position at a point in time.

Respond to Liquidity Peaks and Troughs

How do you monitor peaks, troughs and trends in liquidity to ensure adequate reserves are available?

The Clareti Cash Reporting service permits banks to analyse account movements intra-day and for historic periods. Peaks and troughs can be monitored, trends can be established and 'what if' scenarios can be run over and over again to replay historic events. By monitoring account movements in real-time against trends, behavioural abnormalities can be highlighted and acted upon. With the Clareti Cash Reporting service users are able to view multibank, multi account and multi currency data in a single consolidated view. The user can see all available account balances and identify the bank's liquidity reserves.

Respond to Events Impairing Liquidity

Can you respond swiftly to events that impair your liquid resources?

Users of the Cash Reporting Service can configure alerts on specified parameters to provide them with essential information as it happens. For instance, a time bound alert may be set to alert users if an account balance falls below a specific threshold at a critical time of day.

Alternatively alerts for critical funding payments can be set to notify a user if an expected receipt has not arrived by a certain time. The user can then take action to correct the issue in real-time, which may dramatically affect the actual liquidity of the bank. Real-time alerts can be configured to be delivered to user desktop, e-mail, SMS or bespoke mobile applications for BlackBerry. The user can be reassured that a critical liquidity transaction has happened, even whilst on the move.

With the Clareti Cash Reporting service the user can act swiftly to change events that might otherwise impair liquid resources.

Diverse Sources of Available Liquidity

How will you control diversified sources of liquidity without real-time information?

Pro active management of multiple foreign currencies is a building block for general liquidity management practice. The costs and complexities of managing disparate Nostro accounts had led many banks to consolidate and close accounts that were deemed to be superfluous. Today's climate change has seen a reversal of this trend with banks creating additional liquidity pools with multiple banks within the same currency.

This apparent U-turn has re-introduced the challenges associated

with managing multiple Nostro accounts. Whilst some banks offer on-line access to account information that is in varying degrees of real or near-time, none are able to offer a solution to consolidate multi bank data via a single hub.

With the Clareti Cash Reporting service the user can pro actively manage multiple foreign currency accounts in real-time.

About Gresham

Gresham Computing plc (LSE:GHT) specialises in the provision of real-time financial solutions to banks and corporates, and has a well-deserved reputation for technical excellence, reliability and a strong service culture. Our storage division helps the largest data users to better manage the unrelenting growth of data.

Further information

For more information on how Clareti Cash Reporting can help your company visit

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