

## NEWS NEWS NEWS

### Confirm automation reaches structures

A new service geared at institutional investors has been launched to help speed up the confirmation of credit derivatives documentation. A group of six institutions including **Pimco** has already started using the Compliance Hub ISDA Confirmations Module, developed by **Communicator**, a firm based in White Plains, New York.

Communicator expects to have up to 30 buy-side firms using the service by the third quarter of the year.

Compliance Hub differs in several ways from other automated confirmation services such as those provided by US-based clearing and settlement company **Depository Trust & Clearing Corporation** (DTCC). Unlike that service, it can be used for any kind of derivatives transaction. For credit derivatives, this means that it can accept basket deals, tranches and index trades, including full or partial unwinds and assignments, rather than just vanilla default swaps.

"Our customers are using [DTCC's] Deriv/SERV too," says **Serge Shinkar**, product manager for Compliance Hub. "They understand the value of both systems. There will always be a portion of products that use paper confirms, such as more complex products and privately

negotiated deals, and this is where we fit in. Some clients do 80% of their volume via DTCC, but it's the remaining 20% that causes the biggest headache, and there is no light at the end of the tunnel as to when that 20% will be automated."

Rather than relying on traders to input deals to a special system and then matching them, as DTCC does, Compliance Hub receives paper confirms by fax or email on behalf of the buy-side counterparty directly from the broker-dealer and converts them automatically into pdf documents. These then pass into a review queue for the institutional investor's operations staff. The firm specifies exactly which staff members are authorised to carry out each role, from checking the economics of the trade to verifying the legal language, portfolio management review and signatory. Each step must be approved before the confirm can pass to the next stage.

"The clients already on the system love this service," says Shinkar. "As well as speeding up confirmation, it improves their compliance – if any single step is not authorised, no-one can sign it off."

If at any stage the institutional investor spots a problem with the confirm, an alert mechanism notifies the dealer immediately, and a real-time dispute resolution form pops

up on both counterparties' screens, through which they can discuss and resolve the dispute immediately, rather like using an internet instant messenger service.

Communicator says it has already involved over 20 large dealers in the service. But unlike the DTCC system, it is still possible for firms to use the service in trades with counterparties not on the system. And, in contrast to those services, Communicator Hub is geared to the demands and workflows of the buy side rather than the sell side.

Its first client was global money management giant **Pimco**, which began using the Isda Confirmation Module in November and helped design its specifications. As well as institutional investors, Compliance Hub has also generated interest from hedge funds attracted by the fact that it is web-based and involves no investment in infrastructure or operations staff. **Blue Mountain** and **Rubicon Capital Advisors** are among the hedge funds that have already signed up.

The amount a firm pays to use the service depends on its usage pattern. Low-volume clients can opt to pay per transaction, while a fixed-rate, subscription-style pricing model is available for large clients.

LISA COOPER

1 April 2005

Creditflux

Reprinted for



Communicator Inc

www.communicator.com

+1 914-872-2840

sales@communicator.com