

Misys Opics Plus

Opics Plus Islamic Treasury

As the dust continues to settle from the global credit crisis, many institutions are pausing to realign positions and reengineer business processes to adjust to the new 'norm'.

The Islamic banking industry however continues to be forward facing and growth oriented. The traditional Islamic banking sector is expanding to include newly established, greenfield Islamic banks as well as conventional banks wanting to trade Shariah compliant instruments.

But as the sector grows to include new players around the globe with new requirements, the associated challenges grow as well. The ability to observe Shariah compliancy as well as global regulatory requirements while expanding instrument coverage into new and innovative Shariah instruments requires a diverse and robust solution that can be delivered quickly and efficiently to market.

Opics Plus Islamic Treasury

Opics Plus Islamic Treasury services not only a growing and liquid niche market that is rapidly expanding globally; but it delivers an opportunity to trade and manage treasury instruments based on the ethical merits of Shariah compliance. The solution also provides an effective mechanism to address liquidity management and investment opportunities within the evolving Islamic Retail space. The solution meets the demanding requirements for dedicated Islamic Banks as well as for conventional banks that operate Islamic Treasury windows worldwide.

Opics Plus Islamic Treasury is a complete, Front to Back office treasury solution providing cross-asset processing of a wide range of Shariah financial instruments including vanilla and complex derivatives, fixed income, equity and treasury transaction types.

The solution is comprised of a foundation of core Opics Plus functionality combined with the strength of the extensive Opics Plus treasury processing delivered on a .Net Service Oriented (SOA), highly scalable platform. The solution delivers unsurpassed Straight Through Processing (STP) and back office capabilities and is delivered by Misys; a truly global solution provider.

Opics Plus Islamic Treasury is specifically designed to enable organizations to move into the Islamic Banking market, via a rapid, low risk manner and with the flexibility to grow in both volumes and instruments as business needs change. The solution is based on the rich breadth and depth of Opics Plus, a market leading treasury and capital markets solution installed at over 270 client sites globally.

The solution contains cross asset treasury functionality that can be quickly deployed using a proven streamlined implementation methodology.

Robust Treasury Capabilities

Opics Plus Islamic Treasury leverages the robust Opics Plus treasury capabilities to manage the full deal life-cycle of the following instruments:

- + Commodity Murabaha (including Contributor Trades)
- + Reverse Murabaha
- + Wakala Investment and Financing
- + Deposit Exchange
- + Sukuk
- + FX Spot
- + Al Tawarruq

Additional instruments such as Equities and Commodities can be added and integrated to the Islamic Treasury Module from the core list of instruments.

“Demand from the world's 1.3 billion Muslims for investments that comply with their beliefs has soared and assets that comply with Islamic law are set to hit \$1 trillion by 2010 and are growing at a rate of about 15 percent a year”, experts say.

International Commodity Murabaha

The screenshot displays the 'Commodity Murabaha' window with several sections:

- Deal Entry:** A table with columns for Description, Value, and Decode.
- Commodity Purchase Details:** A table with columns for Description, Value, and Decode, including fields for Purchase date, Seller, Purchase broker, Purchase ticket no, Purchase commo, and Purchase quantity.
- Commodity Sale Details:** A table with columns for Description, Value, and Decode, including fields for Sale date, Purchaser, Sale broker, Sale ticket no, Sale commodity, and Sale quantity.
- Murabaha Sources:** A table with columns for Source of funds, Percentage, Amount, Profit rate, Profit amount, and Murabaha fee rate.
- Schedule:** A table with columns for ST, Start Date, End Date, Payment Date, Profit Amount, Principals amount, Totalpay amount, and Rate Re.
- Murabaha Sources (Summary):** A table with columns for Deal no, Customer/source, CCY Amount, Fee deal no, and Profit rate.

Innovative Instrument Coverage

As the Islamic Treasury sector evolves to include more innovative products as approved by scholars in various jurisdictions, the underlying software solution must be flexible enough to support new instruments while rigid enough to maintain compliancy.

Opics Plus Islamic Treasury not only contains comprehensive treasury functionality, but it is extensible enough to support evolving business needs. As additional instruments such as FX Forwards, Profit Rate Swaps and other derivatives are approved by the bank's Shariah committee; they can easily be supported.

Risk Management

The ability to accurately calculate and monitor risks and exposures quickly is a requirement of any Islamic Treasury solution. A key addition to the Opics Plus Islamic Treasury offering is the Middle Office Suite. Comprised of the Opics Plus, Opics Risk Plus and Eagleye solutions; the Middle Office Suite delivers advanced risk analytics and compliance monitoring capabilities.

Opics Risk Plus core functionality includes Value at Risk (VaR), scenario analysis cashflow, performance measurement and sensitivity analysis.

Flexible reporting hierarchies within Opics Risk Plus (e.g. break-out by product type, duration, obligor), and user defined groupings allow the risk results to be disaggregated and the trades to be clustered to comply with the bank's reporting requirements.

Opics Risk Plus allows a choice of Opics Plus static, transactional and market data, which may be supplemented by external data provided by proprietary or third party systems.

Eagleye is an extensible rules based application that provides sophisticated monitoring of controls and exceptions with information distribution via alerts and dashboards across the institution. Eagleye has been deployed with Opics Plus to monitor Market Risk, Counterparty Exposure, GAP Monitoring, Collateral versus Credit Utilization and Pre-deal Checking.

Opics Risk Plus is a market risk analytics engine which is fully integrated within Opics Plus. A comprehensive, risk solution, Opics Risk Plus contains broad instrument coverage and depth of function enabling financial institutions to manage, model, forecast and report risk for all levels; from the institution itself, to the controllers and end clients.

Al Tawarruq Deal Entry

The screenshot shows the 'Al Tawarruq Deal Entry' window with the following data:

- Deal Entry:**
 - Branch: 01
 - Deal no: 4000000
 - Certificate no: 10000000
 - Product code: Tawarruq
 - Product type: BORROW/LOAN
 - Value date: 04 Jan 1999
 - Maturity date: 04 Jan 2000
 - Customer: ABC01234
 - Broker/deal source: DIRECT
 - Currency: USD
 - Currency amount: 1,000,000.00
 - Rate code: FIXED
 - Profit rate (%): 10.00000000
 - Schedule type: 01
 - Principal frequency: 01
 - Principal date dire: 04 Jan 1999
 - Principal payment: 4
- Extended:**
 - Deal date: 04 Jan 1999
 - Agent:
 - Rate source: USD:FIXED/AUT
 - Rate type: FIXED
 - Designated mark: 01
 - Trader: NET

Wakala Deal Entry

The screenshot shows the 'Wakala Deal Entry' window with the following data:

- Deal Entry:**
 - Branch: 01
 - Deal no: 4000001
 - Product code: WAKALA
 - Product type: BORROW/LOAN
 - Value date: 04 Jan 1999
 - Maturity date: 04 Jan 2000
 - Customer: ABC01234
 - Broker/deal source: DIRECT
 - Currency: USD
 - Currency amount: 1,000,000.00
 - Rate code: FIXED
 - Profit rate (%): 10.00000000
 - Spread rate (%): 0.00000000
 - Profit basis: 0360
 - Schedule type: 01
 - Profit frequency:
 - Profit date directo:
 - Profit payment da:
 - Profit rate rule:
 - Principal frequenc:
 - Principal date dire:
 - Principal payment:
 - Total principal pa:
 - Last / regular amo:

Opics Plus Islamic Treasury contains cross asset Islamic treasury functionality that can be quickly deployed from the front through to the back office using a proven streamlined implementation methodology.

As an integrated system on an integrated platform, the Middle Office Suite decreases operational risk by delivering interoperability while lowering total cost of ownership. Benefits include:

- + Sensitivity analysis, scenario analysis and cash flow forecasting
- + Value at Risk including Parametric, Monte Carlo, Risk Metrics methodology and Historical Simulations
- + Performance measurements including various benchmark statistics such as Alpha, Beta, Sharpe, Information, Treynor, Calmar and Sortino ratios and tracking error
- + Portfolio sensitivity calculated using perturbation of market rates used to estimate portfolio returns
- + Measurements monitored against user defined rules in real time or on demand
- + Rules including monitoring of Counterparty exposure, Collateral Management, Trader Limits and Position Limits with notifications of breaches that are available via email, SMS or desktop alerts
- + Calculation of hedging recommendations that can be leveraged both internally to users and externally to customers

Operations and Controls

Opics Plus Islamic Treasury delivers automated, integrated processing of treasury operation functions including accurate workflow based event processing. Multi-asset class instruments are processed from deal inception to settlement and accounting.

The real time, cross product, event based, cross-entity Workflow Manager utility manages pre-defined or user-defined operations workflow and has been configured to meet the specific Islamic requirements and support the following functionalities:

- + Standard processing including numerous events over the lifecycle of a transaction or payment
- + Extensive support of as many touch points as required or full STP

Consolidated Inquiry for Islamic Instruments

| DEAL NO | CUSTOMER | CCY | DE | CY AMOUNT | PRODUCT | TYPE | RATE CODE |
|---------|----------|-----------|-----|---------------|--------------|----------|-------------|
| 1 | 4000798 | ABC02TEXT | USD | WAKALA | 1,000,000.00 | EURD | DP FIMED 12 |
| 2 | 4000801 | ABC01234 | USD | WAKALA | 1,000,000.00 | WAKALA | DP FIMED 10 |
| 3 | 4000800 | ABC01234 | USD | ALTAWARRUQ | 1,100,000.00 | TAWARRUQ | DP FIMED 10 |
| 4 | 4000802 | ABC01234 | USD | COMM MURABAHA | 1,000,000.00 | ICM | DP FIMED 10 |
| 5 | 4000803 | ABC02TEXT | USD | COMM MURABAHA | 500,000.00 | EURD | TD FIMED 12 |
| 6 | 4000804 | ABC04TEXT | USD | COMM MURABAHA | -202,600.00 | EURD | TD FIMED 10 |
| 7 | 4000805 | ABC05TEXT | USD | COMM MURABAHA | -150,000.00 | EURD | TD FIMED 12 |
| 8 | 3000090 | ABC02TEXT | USD | FX SPOT | 1,000,000.00 | FXD | FX |
| 9 | 3000091 | ABC02TEXT | USD | FX SPOT | 1,000,000.00 | FXD | FX |
| 10 | 3000092 | ABC02TEXT | USD | FX SPOT | 999,999.99 | FXD | FX |
| 11 | 3000093 | ABC02TEXT | USD | FX SPOT | 1,000,000.00 | FXD | FX |
| 12 | 3000094 | ABC02TEXT | USD | FX SPOT | 1,000,000.00 | FXD | FX |
| 13 | 3000095 | ABC02TEXT | USD | FX SPOT | 1,000,000.00 | FXD | FX |

- + Flexible instruction maintenance including stringent authorization controls and embedded logic to create and transmit more than 50 payment message types in full compliance with SWIFT and ISO requirements
- + The generation of offer and acceptance confirmations, SWIFT messages MT299 and MT399 as well as Paper Confirmations are also supported
- + Dedicated fields available at deal inception to capture the commodity details for purchase and sale that can be used in external and internal communication
- + Commodity Murabaha screen allows traders or operations staff to include the details of the source of funds or contributor trades that comprise the Murabaha structure. The system can generate these trades saving valuable time
- + The system understands the concept of restricted and unrestricted funds and can use this for the differentiation in accounting entries that are generated

Multi-Currency Accounting and Regulatory Initiative Support

Opics Plus Islamic Treasury allows treasury users to perform sub ledger functions before they are rolled up into the final parent ledger. Highlights of the accounting offering include:

- + Full multi-entity, multi-currency general ledger, giving financial institutions the flexibility to define their own accounting structure and posting rules
- + Valuations, accruals, and profit/loss entries generated daily
- + Standard accounting reports such as balance sheets, trial balances and income statements
- + Standalone, multi-currency general ledger with its own chart of accounts as well as support as a sub-ledger that interfaces directly to a main general ledger
- + Full integration with the Misys Opics Plus product suite enabling automated reconciliation for a wide variety of financial instruments



Opics Plus Islamic Treasury fully supports the International Financial Reporting Standards (IFRS) set forth by the International Accounting Standards Board. The solution is also fully compliant with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards.

Reporting

Opics Plus Islamic Treasury allows treasurers to closely monitor transactions, cash and position activity. The solution contains a comprehensive suite of over 1000 predefined real-time inquiries and reports. An open database structure allows for immediate access to any data views. Users can easily export to Excel for further analysis or to a file for emailing. The solution also contains seamless integration with third-party reporting applications such as Crystal Reports.

Flexible Deployment Options

Opics Plus Islamic Treasury can be implemented via a variety of flexible and rapid deployment options.

Software as a Service

Opics Plus Islamic Treasury can be accessed remotely via the web with our Software as a Service (SaaS) hosted deployment. SaaS deployment offers the Opics Plus Islamic Treasury via a central location and over a network to the most corporate entities or users possible. On a hosted solution, the Opics Plus Islamic Treasury removes the need for banks to install, maintain and acquire additional hardware.

The Opics Plus Islamic Treasury SaaS solution contains no client/server software installation or maintenance and is delivered in a shortened deployment time. The solution delivers global availability across the Opics Plus Islamic Treasury. Benefits include:

- + Reduced capital expenditure
- + Remote access of applications
- + Quicker implementations and upgrades

- + Complete redundancy on all systems providing a highly available environment
- + Problem detection and resolution
- + Dedicated hardware
- + Disaster recovery services
- + Dedicated network connections
- + SAS70 compliant

Quick Start Rapid Deployment

Opics Plus Islamic Treasury can also be deployed via the Quick Start Rapid Implementation Methodology. The result is an off-the-shelf solution that combines Core and Islamic Treasury processing with a standardized rapid implementation plan based on the successful track record of Misys implementations. By decreasing the number of steps from the traditional methodology, implementation is fast tracked leading to a shortened 'Go Live' timeframe estimated at 4-5 months.

The Quick Start solution is an integrated offering to:

- + Effectively manage entire treasury operations
- + Adopt more sophisticated risk management techniques
- + Process high volumes of treasury trades
- + Decrease risk, cost and length of implementation
- + Enhance customer service offerings
- + Deliver business results faster

True Rapid Business Value

Opics Plus Islamic Treasury delivers benefits such as:

- + The ability to trade Islamic instruments, manage risk and cash forecasting as well as settle instruments within a single, integrated, front-to-back office platform
- + Flexibility to extend instrument coverage to more innovative Islamic instruments as they are introduced
- + Significant operational savings through improved controls and higher STP rates, with workflow management tools for exception based processing; ensuring lower costs per trade
- + Full transparency and consolidation of all open positions to provide an accurate analysis of positions, risk and profit and loss
- + Capture of key Islamic instrument details for faster processing of transactions
- + Support of numerous accounting standards including IFRS and AAOIFI, as well as differentiation of accounting entries based on management of restricted and unrestricted funds
- + A foundation based on a modern technology platform enabling true SOA scalable enough to support high volumes
- + Rapid deployment options via SaaS and Quick Start offerings; ensuring fast delivery and minimal risk

For more information on how Misys Opics Plus can help you please visit:
www.misys.com

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