

Straight Through Processing *Can you afford not to be connected?*

Are you prepared for increases in your trade volume?

Do you have accurate up-to-date information of all transactions on your books?

What are the costs of missing settlements or executing trades incorrectly?

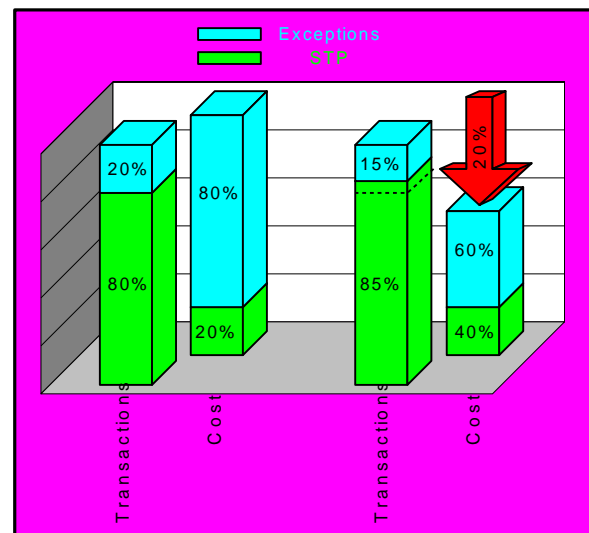
Will your organization be prepared to handle settlements?

Will you be able to keep up with a rapidly changing market and improve your efficiency without Straight Through Processing?

Straight Through Processing (STP) will optimize the way your organization performs financial transactions. Shorter trade life cycles, higher transaction volumes, new regulatory imperatives, and a need for reduction of settlement and counterparty risk have turned STP into a necessity. The market is requiring that trades be performed faster, more accurately, and at a lower cost.

For the last few years, new Regulatory and Compliance requirements Euro conversion and Basel II compliance have been the focus of the technology initiatives in most financial organizations. As a result, initiatives such as STP have taken a back seat. The focus has now changed and as these initiatives come to the forefront, straight through processing architectures will become the backbone for handling, processing and delivering information.

While factors such as risk and cost reduction will drive technology initiatives towards STP within financial organizations, industry wide initiatives will also require higher STP rates. Currently, among the most significant industry drivers pushing towards achieving higher STP rates are:



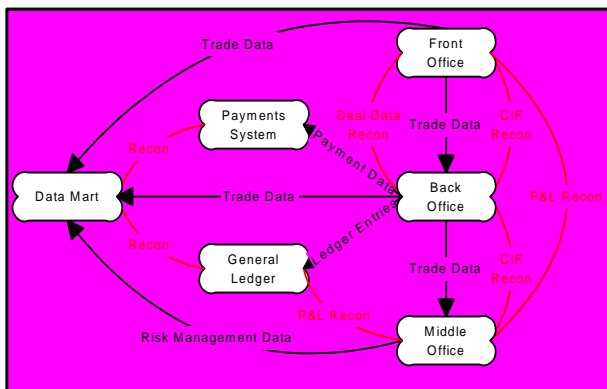
Benefiting from STP

There are many benefits that your organization could reap from enabling straight through processing; these are just a few examples of what achieving higher STP rates can render:

- **Increased Processing Efficiency.**

Current manual processes are approaching natural limits of efficiency, and in most cases, additional allocation of human resources will have little or no impact. STP, on the other hand, will

allow real-time transactions to be performed seamlessly, allowing for more transactions at a lower cost and with fewer exceptions. This will also provide for better usage of employees' time by eliminating time-consuming manual processes such as data entry, re-entry and verification. Additionally, reconciliation efforts will be substantially reduced, with internal and external systems continuously reconciled in a near real-time basis.



- **Cost Reduction.**

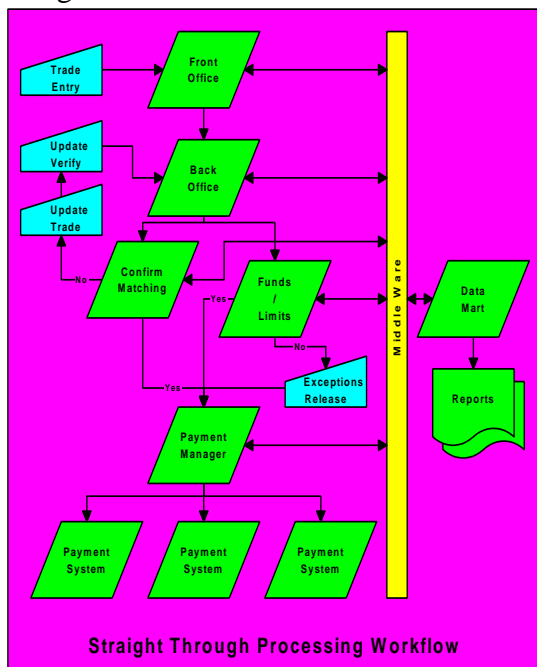
Costs associated with transaction exceptions are not always readily apparent. While financial costs due to incorrectly executed payments or failed trades such as principal loss, penalties and interest are easily quantifiable, other costs are hidden, and potentially more damaging. These can include employees' time allocation, loss of business, opportunity costs, and a damaged reputation with clients, counterparts, and regulators.

Studies have shown that processing costs are not split evenly between transactions. In fact, as much as 80% of processing costs may be attributed to transaction exceptions. With typical exception rates of 20%, **a single percent decrease in exceptions could lead to a four- percent decrease in total processing costs.** This example illustrates how a 5% increase in STP rates, from 80% to 85%, can reduce transaction costs up to 20%.

- **Reducing Risk.**

Financial markets are constantly evolving, becoming much more complex and demanding faster and more accurate responses from their participants. Organizations need to reduce settlement and counterparty risk to be able to successfully manage rapidly growing portfolios and increasing trade volumes while at the same time maintaining high return rates on their assets.

STP provides a seamless, high transaction throughput environment, reducing the time between trade execution and settlement and thus reducing inherent risks.



Accomplishing STP

In order to achieve higher STP rates, an organization should focus on two key components:

- Technology
- Change Management

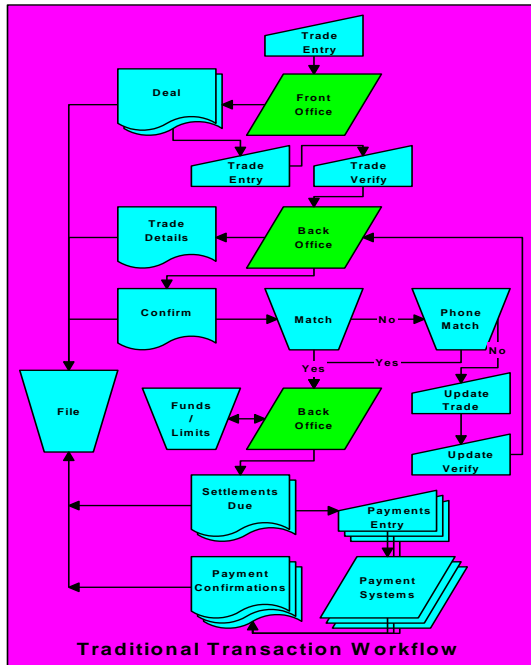
Technology will be the key enabler of STP, offering real-time rules and events driven applications and architectures. As the backbone for

transaction processing, technological architecture becomes increasingly important. Applications driven by rules and events, built with reusable components, will enable STP across a variety of channels, providing a seamless, automated environment throughout the organization. These channels include browser interfaces, data visualization technologies and ad-hoc querying and reporting.

new systems is required to process transactions with a minimum of manual intervention. Equally important is the need to implement and manage change in your business processes. New workflows and training will be needed in order to maximize the benefits of implementing such a system's configuration.

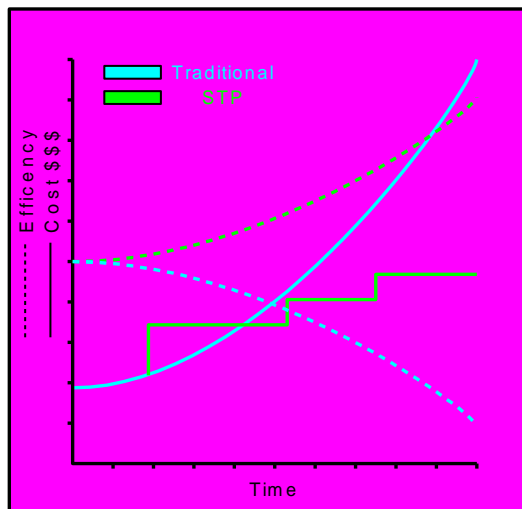
At Morgan Holland Partners (MHP), we understand STP and its implications within a financial organization. We can leverage our significant experience with financial software products along with the extensive experience we have developed in successfully completing enterprise wide risk management, data warehousing and system integration projects. Similarly, our expertise in business practice reengineering and change management will allow for a seamless transition from traditional to straight through processing. MHP can help you face the challenges of implementing STP and prepare your organization to take advantage of new processing methodologies.

Our experience in dealing with a broad range of real world integration and change management issues allows us to understand the challenges that STP poses to your organization. We realize that you need the flexibility of selecting either off-the-shelf systems or custom-built solutions.



STP will also enable organizations to provide efficient, high performance and value added e-business solutions, which require better and more rapid handling, processing and delivery of information.

End-to-End integration of current and



We will help you **maximize the gains** from STP while simultaneously **minimizing:**

- **Implementation risks**
- **Implementation and future costs**

MHP can help you in each of these areas. We believe that the solutions we can offer will allow you to face the challenge of STP and to reap the rewards.

Implementation risks

The implementation project is challenging, as it involves changes to different aspects of current technology and business process. This increases the importance of developing a sound project plan along with solid project management to meet your specific needs and goals. MHP has experienced consultants with requisite skills in project management who can work with and alongside your staff to ensure that your project goals are met on time and within budget. We can assist your company in all aspects of the implementation from the initial business analysis and planning stage to the actual testing and deployment of the system.

Implementation and future costs

We understand that a complete transition to STP will be a costly and time-consuming process. However, it is important to understand the tradeoffs between initial cost and the costs of delay in achieving higher STP rates.

Will your current systems require extensive changes or can we leverage your existing systems and technology infrastructure? What are the specific goals and benefits you are trying to achieve? MHP understands that while a complete initial solution will reduce future costs, there are business constraints that may require a different approach. Our consultants will work with you to help assess your constraints and conduct a detailed study of your current transaction processing methods in order to develop a cost-efficient and timely solution for you.

Any system's architecture must be flexible in order to handle possible changes in future regulatory and business requirements. You need a solution that must work for today's environment and be able to meet tomorrow's challenges. We can offer you a variety of approaches that include business process reengineering, change management, third party implementations, custom-built solutions, or MHP proprietary solutions, all tailored to the specific challenges of your business.