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# Financial Institution Meets Federal Mandate to Automate Cash Flow Matching

Keane enables investment bank to accelerate cash flow matching by 80% and improve market transparency of over-the-counter derivatives products.

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## Abstract

In response to the recent global financial crisis, the US government has mandated that the trading of over-the-counter (OTC) derivatives products must now be processed centrally through clearing-houses and that cash flow history must be reported to the SEC.

To meet this federal requirement, Keane helped a leading investment bank transform its manual trade and cash flow matching and settlement process into an automated, auditable one that provides trade data to the Depository Trust Clearing Corporation (DTCC) portal. As a result, our client is now able to drive process efficiency, improve system reliability and transparency, and reduce risks associated with the OTC equities derivatives market.

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## Challenge

The unregulated multi-trillion-dollar OTC derivatives market is widely considered to be the leading cause of the recent financial crisis. In response, the US government has stated that it will not allow financial institutions to continue to trade so-called “options” and “swaps” in an environment where they could not identify counterparties involved in the trade, disclose the actual value of the assets being traded, or determine whether or not trades would settle.

To bring greater transparency to the OTC derivatives market, the government is requiring derivatives dealers to trade options and swaps through a clearinghouse and create an audit trail that tracks the value, transactions, and ownership of these non-standard asset classes for the life of the trade. Institutions are required to completely automate these process changes by 2011.

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Financial institution accelerates the cash flow matching process of OTC derivatives products by 80% by working with Keane to design a DTCC cash settlement system interface.

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## Application and Infrastructure Solutions

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Keane Client Story:

**Industry:** Financial Services

**Offering:** Application Development & Integration

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To enable the federal mandate, the DTCC, the largest clearing and settlement organization within the US, has launched an automated cash flow matching and netting portal, which will facilitate timely cash settlement while addressing the government's goals for greater price transparency.

Our client, one of the largest brokerages in the world, needed an IT partner who could build an interface to the DTCC cash settlement system as well as create an auditable history reportable to the SEC.

## Solution

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Having provided application development and support to this large financial services organization since 1998, Keane was selected to enable the organization to provide electronic cash matching and trade flow data for over-the-counter derivatives to the DTCC.

Keane assembled an onsite team of business analysts, developers, and quality assurance professionals that first mapped out the trade validation and clearing process and then built an application interface that used Web services to transport cash flow data tagged in XML.

Keane also designed the functionality that tracks the history of any mismatches and exceptions among counterparties for each cash transaction and automatically sends data about these mismatches to the appropriate counterparties' back-office settlement operations. This functionality eliminates the need for costly and time-consuming manual reconciliation.

## Benefit

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Keane helped this financial institution meet the federal mandate designed to reduce risky trading practices related to over-the-counter derivatives.

In just nine months, Keane enabled our client to electronically match the cash flow of options and swaps traded through the DTCC, replacing a previously manual and opaque process.

Specifically, the financial services organization has:

- » Accelerated the cash flow matching process by 80%
- » Improved system reliability by having transparent data repositories and capturing supplementary information, such as mismatch/match details.
- » Eliminated the risks and inefficiencies associated with manual reconciliation by creating rules-based exception handling for mismatched data
- » Ensured that cash flow events are fully auditable and reportable to the SEC

As a result of Keane's work, this financial institution will help the industry improve the accuracy, certainty, and operational efficiency in the processing of OTC equity derivatives payment obligations.

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### About Keane

Keane, an NTT DATA Company, is an IT services firm headquartered in the US with more than 12,500 professionals worldwide. For 45 years, Keane has been an Application Services specialist with distinguished project management credentials. Today, we offer a flagship suite of Application Services, as well as Infrastructure and Business Process Outsourcing solutions delivered through onsite, nearshore, and offshore resources.

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### Application and Infrastructure Solutions

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