


triReduce

Multilateral termination
eliminating risk
in OTC derivatives



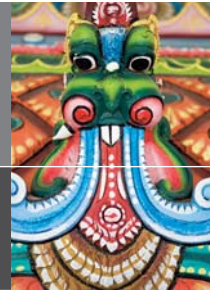
Partnering to enhance ***proactive*** risk management

Market and regulatory conditions have created new challenges for OTC derivatives dealers. Top priorities now include reducing the number of outstanding transactions, notional principal values, associated capital charges and collateral obligations.

Beginning in 2008 the industry mobilized to reduce outstanding notionals in credit, interest rate and energy swaps as one of its key commitments to the international regulators. triReduce cycles in credit default swaps eliminated \$30.2 trillion in notional outstandings in 2008, and efforts in CDS continue achieving significant results. In 2009 interest rate swap terminations accelerated with a doubling of notionals eliminated; and energy swap terminations became a new focus for the industry. Events like the Thompson restructuring reinforced the innovative partnership that has been forged between the dealer community and TriOptima.

Industry commitments made to banking regulators ensure that compression activity will continue to be an important post-trade processing tool. TriOptima and the dealers are collaborating to reduce systemic risk through the elimination of outstanding notionals, thereby contributing to the financial stability of the global marketplace.

Taming counterparty *credit risk*



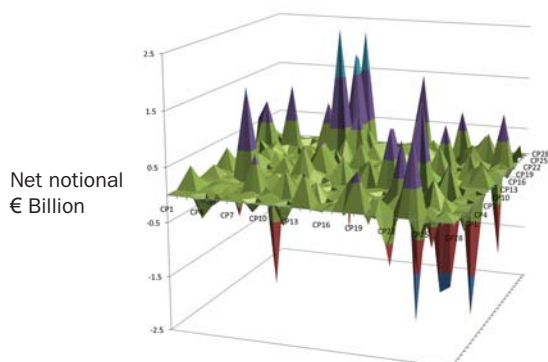
OTC derivative portfolios grow significantly through the normal course of trading, but most of the trades are not necessary to maintain desired risk positions versus the market. Nevertheless, as long as the trades remain in your inventory, they incur operational and capital costs as well as create credit and operational risk exposure.

TriOptima offers a multilateral termination service where you tear up your trades at your own mark-to-market values and within your own predefined parameters for market risk, credit risk and cash settlement.

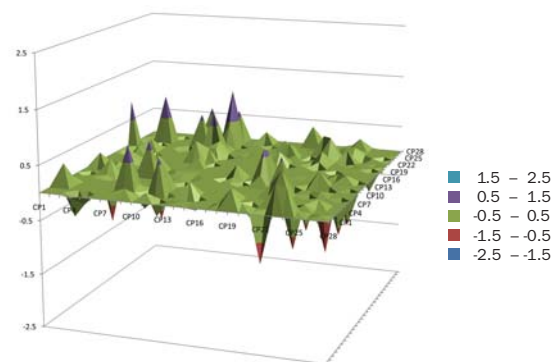
Participating in a triReduce termination cycle reduces your counterparty credit risk and your operational risk, minimizes your operational and capital costs, and increases liquidity.

As illustrated below, the triReduce compression methodology can significantly mitigate counterparty credit risk. It levels out the peaks and troughs in the bilateral risk landscape.

Counterparty risk **before**
triReduce cycle



Counterparty risk **after**
triReduce cycle





Secure and simple cycles



Each triReduce termination cycle ensures maximum results while maintaining the strictest security. The process is easy, safe and secure. At every stage of a cycle, TriOptima's experienced, professional client managers are available to assist and advise your team.

The triReduce service is offered through a secure website, which means you don't need to install, customize or update any hardware or software. Plus you're always working with the latest version.

Phase One:
Sign-up and Linking

After all participants have signed up, you upload your trades versus the other cycle participants to our secure website. Trades are linked, and then you can research or submit unlinked trades to increase the pool of trades eligible for termination.

Phase Two:
Dress Rehearsal

When the linking ends, you set your counterparty risk, market risk and cash payment tolerances and submit your own mark-to-market valuations at close of business. The next morning you download a dress rehearsal unwind proposal.

Phase Three:
Live Execution and Acceptance

The evening before the live execution you adjust your tolerances and submit updated mark-to-market values for your portfolio. Early the next morning you download the final unwind proposal, verify the results against your books, and fax us your acceptance. When all the participating banks have accepted their unwind proposals, the cycle is "done" and legally binding. The terminated trades and all associated costs and risks have been eliminated from your OTC derivatives portfolio.



Global reach, ***broad product coverage***

Designed specifically for dealing institutions with significant two-way flow, triReduce termination cycles are executed globally in a range of product types:

Credit Default Swaps: indices, single names and tranches in Europe, US, Japan and emerging markets

Interest Rate Swaps: all global currencies, currently including AUD, CAD, CHF, CNY, CZK, EUR, GBP, HKD, HUF, INR, JPY, KRW, MXN, NOK, NZD, PLN, SEK, SGD, TWD, USD, ZAR

Energy Swaps: oil, gas, power, coal and carbon

In addition, TriOptima frequently executes internal termination cycles for institutions that have merged or have several legacy trading books. Rationalizing across internal books reduces operational risk, improves internal control procedures and adjusts cross-ledger P/L imbalances.

With over 120 institutions worldwide participating in triReduce multilateral termination cycles in a variety of product types and geographic locations, TriOptima delivers significant and measurable results for its customers.

More from TriOptima

triResolve is a network community service for proactive portfolio reconciliation of OTC derivative portfolios. Used by global dealers, regional banks, asset managers, and buy-side firms, triResolve currently handles 75% of all OTC derivative transactions globally. The service benefits trade control, settlement, documentation, collateral, and counterparty credit risk functions. Web-based and interactive, with advanced matching and reporting capabilities, the triResolve service reconciles all OTC derivative products from plain vanilla to complex structures.

About TriOptima

TriOptima, an ICAP Group company, is the award-winning provider of OTC derivatives infrastructure services including triReduce, triResolve, and the OTC Derivatives Interest Rate Trade Reporting Repository. TriOptima maintains offices in London, New York, Singapore, Stockholm and Tokyo.

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