



WELCOME

Welcome to the first issue of Venture NAVIGATOR, a quarterly newsletter from Venture Financial Systems Group, LTD. for Venture clients and the investment management industry.

Venture NAVIGATOR is aimed at adding value to your business by keeping you informed about developments at Venture and trends within the ever-changing investment management industry which is faced with increasing demands to do more with less.

The first issue of the quarterly newsletter includes a series of articles aimed at highlighting products and solutions that Venture has developed and delivered in partnership with our client base. On the front cover, we highlight a new Venture product, RUP4STP™, an extension to the Rational Unified Process (RUP®) specifically tailored to help you properly assess current business and technical operations and identify and initiate projects to achieve STP. News about the Venture team, Industry Hot Topics, and an Event Calendar will be regularly included in Venture NAVIGATOR.

We hope you enjoy the first issue of Venture NAVIGATOR. We look forward to your feedback and suggestions for future issues. And, please be sure to email your current contact information to arogers@venturefsg.com to ensure that you receive subsequent issues.

Contents

Leveraging RUP4STP™	1
Getting Started with RUP4STP™	2
Venture Updates	3
Content Production Solutions	4
Event Calendar	4
Interest Rate Swaps	4-5
Industry Hot Topics	5

Leveraging RUP4STP™ to Assess Return on Investment and Manage Risk

STP solutions must be highly customized to each firm's specific requirements. This requires a methodology and toolset, specifically tailored to STP, to enable you to assess existing workflows and architecture, and build a roadmap for a future operating model.

The RUP4STP™ business modeling framework helps you understand the current interactions of data, systems, and people in the current trading cycle model and develop a vision for the future trading cycle model with real-time data feeds and connectivity to external trading parties, custodian banks, and virtual matching utilities (VMUs).

RUP4STP™, jointly developed by Venture Financial Systems Group, LTD. and Rambyte, Ltd., a member of the Rational Business Alliance, provides a framework to help you identify opportunities to realize greater operational efficiencies and reduce operational costs associated with manual and duplicated activities.

“RUP4STP has been extremely useful in advancing our STP initiatives. The Business Modeling discipline has been (valuable) in building a good business case,” says Andre Odendaal, I.T. Development Manager at the U.K. branch of Fimat International Banque, S.A. He adds: “Specific aspects (of STP) which might have been overlooked initially are documented in the tool, thus saving us time. We look forward to completing the project (leveraging

RUP4STP and adhering to good RUP principles”.

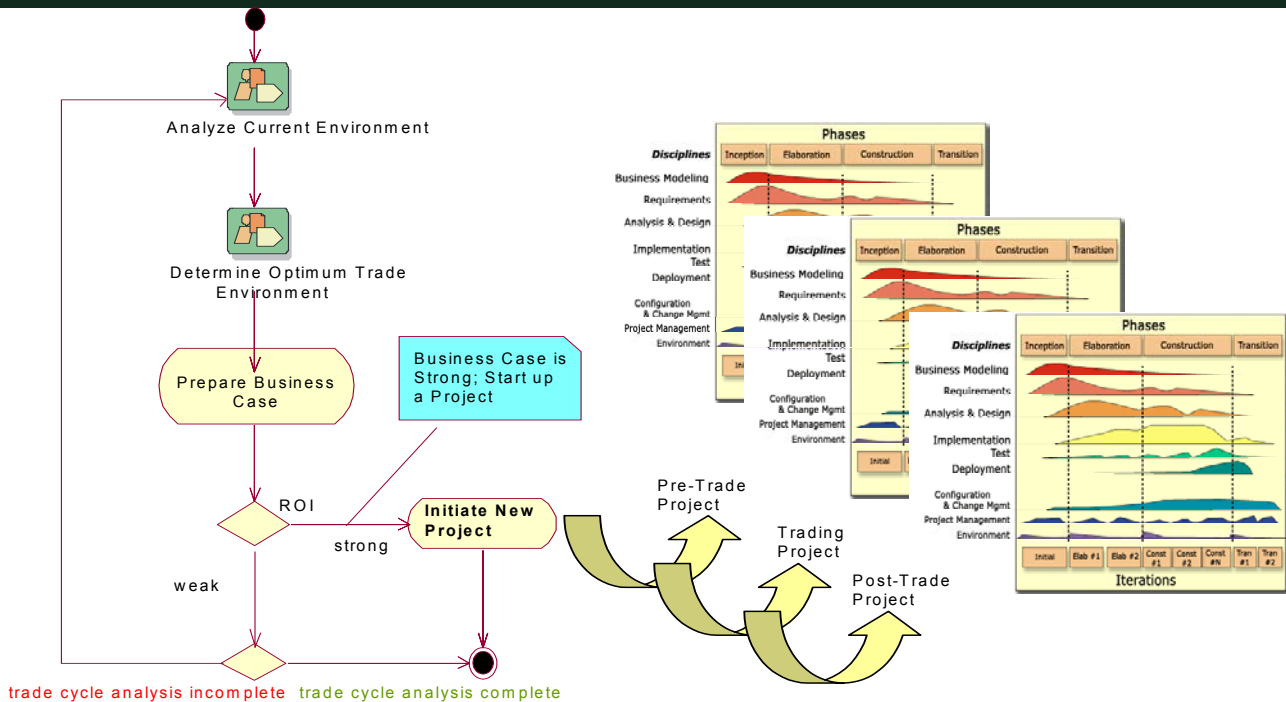
Assessing Your Return on Investment (ROI)

RUP4STP focuses your team on analyzing the current trading environment, identifying weaknesses and impediments to STP, and targeting projects with a high return on investment (ROI). Executives and senior management can determine whether there is sufficient technical and economic justification for the business to undertake the project. Additionally, through RUP4STP's iterative methodology, the project's lifecycle objectives are examined at the end of each phase, facilitating the decision-making process to either proceed with the project or cancel it.

Proper analysis requires that you assess current requirements as well as future requirements, focusing not only on improving current operations, but also defining where business and technical operations need to be to remain competitive in the future. For example, batch cycles may need to be replaced with intraday updates, which in turn will require that a messaging middleware infrastructure be put in place. Or, the implementation of pre-trade compliance checks may be re-

(continued page 3)





trade cycle analysis incomplete trade cycle analysis complete

Getting Started With RUP4STP™ — The Compass for Your STP Initiatives

It is not at all uncommon that many firms find themselves paralyzed when initially approaching STP. Considering the scope and complexity of STP, it is no wonder that many asset management firms struggle to identify a starting point.

What is a reasonable starting point? Do you analyze the complete trading cycle – pre-trade, trade, post-trade – including all automated and manual systems and workflows at a very high level? Or, do you analyze a subset, such as pre-trade compliance, in more detail?

A **Wide and Shallow** strategy, wherein the entire trading cycle is analyzed but only at the surface level, is a reasonable approach when the project team is inexperienced, either in the business domain or in a technology area (including methodology or process). This is also a sound strategy when the architecture is unprecedented and solid architecture is a key requirement for future capability. This may not be a good

approach to take if early results are needed to build confidence and credibility.

A **Narrow and Deep** strategy, wherein a subset of the trading cycle is analyzed in detail, is a reasonable approach when early results need to be demonstrated to overcome an obvious risk. This is also a sound strategy when there is opportunity for re-use, there is a hard deadline, and/or requirements are continually evolving. For instance, you may choose to analyze a specific piece of the trading cycle such as Portfolio Modeling, Order Execution or Performance Measurement and Attribution. This is not a good approach to take if the architecture is unprecedented. Additionally, without proper discipline, this approach could result in a systems effort that is later difficult to integrate.

Initial efforts should concentrate on the following key artifacts and their predecessor dependencies:

Current Trade Model. A visual representation of the systems and processes (including manual processes) that collaborate in the trading cycle. Manual processes are a red flag for impeding STP.

Trade Timeline. A graphical representation illustrating the time required to move trade data through the organization, highlighting opportunities to increase efficiency by reducing processing time.

Risk List. Can be a simple list of risks in order of priority with planned mitigation strategies. Anyone associated with the project can see what the risks are and how you address them at any point in time. The objective is to attack the highest risk items early in the project.

(continued next page)





Leveraging RUP4STP (continued from page 1)

quired for all trading activity.

Managing Risk

Without a solid process in place, there is the likelihood that key risks in the project environment will be ignored. RUP4STP is a process

will result in building, implementing or enhancing the wrong system, you probably need to perform some amount of business modeling.

RUP4STP imposes a discipline for managing risk, forcing you to address high risk issues early on in

- Technical risk to the business – implementation of new technologies.

RUP4STP forces you to anticipate risks and make the decisions to re-configure the project to minimize the impact of risk occurrence.

“Specific aspects (of STP) which might have been overlooked initially are documented in the tool, saving us time.”

Andre Odendaal, Fimat International Banque, S.A.

framework. It is based on industry-proven best practices, such as managing requirements and change, with risk mitigation as its key driver. If there is some significant risk that failing to understand the business

the process. Risks may include:

- Financial risk to the firm.
- Operational risk to the business – trade fails at execution due to lack of automated pre-trade compliance check.

For more information on RUP4STP, visit our Web site at www.venturefsg.com or contact our office at 781.932.7544.

Getting Started with RUP4STP (continued from page 2)

Vision. Defines the fundamental whys and whats related to the project and is a gauge against which all future decisions should be validated.

Business Case. With a business case, stakeholders have a chance to agree that, from a business perspective, the project is worth doing.

Then you can begin to focus on your Future Trading Model, depicting the ideal trading environment, and assess your ROI.

Other key considerations when planning your initial STP initiatives include the following:

Availability of Business Operations staff. Team members must have the required level of business expertise normally expected to participate in a system project for their respective functional area or access to business operations staff that do.

Availability of technical and systems operations staff. A team of 2 – 3 analysts should be sufficient to get started. Depending on whether you utilize UML or Activity diagramming techniques, the technical staff must be familiar with the diagramming technique chosen.

Periodic Assessment of Progress. You should periodically assess progress against the success criteria you define for yourself. Weekly peer reviews and walkthroughs should be performed.

Venture staff are currently helping several clients and other industry participants to identify sound starting points for their STP initiatives leveraging RUP4STP. Please contact us if you wish to have an informal discussion about how you can utilize the RUP4STP framework to jumpstart your own STP initiatives.

Venture Staff Updates

Venture Financial Systems Group, LTD. recently announced **Joanne Cavallaro** as Partner and Senior Vice President of the firm.

Vincent Manning, Managing Consultant at Venture was recently named to the NICS Technology Committee.

Your Suggestions Please...

Are you pleased with results of a recent or current engagement with Venture staff and interested in sharing your experiences with others? Submit your suggestions to Annmarie Rogers via phone at 781.932.7544 or via email at arogers@venturefsg.com. Articles and/or interviews selected for publication will be entered into a drawing for a \$100 American Express Gift Certificate.





Partnering to Deliver Content Production Solutions

Venture Financial Systems Group, Ltd. and Openpages® , Inc., a leading provider of enterprise content production solutions, have entered into an alliance agreement to deliver content production solutions to the financial services community.

Openpages® 4.0 Adaptive Process Suite is the first fully programmable software platform with comprehensive process automation, information management, and XML-based publishing capabilities. Openpages is based entirely on Java™ 2 Platform, Enterprise Edition (J2EE) and Web services standards, allowing businesses to leverage existing IT assets and therefore maximizing their technology investment. Using Openpages, business managers have complete control over how information is developed and presented to customers, while ensuring consistency, timeliness, and compliance.



The new alliance draws upon the power of Openpages® 4.0 Adaptive Process Suite and the strength of Venture’s consulting staff to improve the way financial institutions deliver information to customers.

“Openpages’ powerful workflow and content production solution will greatly assist our clients in meeting their business needs for information delivery through multiple channels including both web and print,” stated Midge Gibbons, Vice President of Venture Financial Systems Group.

“The partnership between Openpages and Venture will enable both companies to deliver innovative solutions to financial institutions that streamline the creation, management, and delivery of information to clients, employees, and stakeholders,” stated Gopal Nagarajan, Vice President of Professional Services at Openpages.

Openpages and the Openpages’ logo are registered trademarks of Openpages, Inc.

Automating Back-Office Processing of Interest Rate Swaps

Asset Manager increases Interest Rate Swap trading volume and reduces cost per trade while eliminating risks associated with manually intensive procedures.

As market conditions have been changing in the last year or so, investment managers have become attracted to derivative instruments for a number of reasons -- hedging, protection of financial risk or speculation on interest rates and security prices among other things -- in hopes of boosting performance returns for investors and staying ahead of the competition.

How do front and back-office operations at investment management firms handle the transactions for these highly complex instruments with processing requirements that are very different from most asset types? Venture Financial Systems Group, LTD. has found that while many investment managers have invested in Analysis and Risk Management software for the front office, many Operations Departments

(continued next page)

Event Calendar

We will be exhibiting, sponsoring, and/or speaking at the following industry tradeshows. If you plan on attending any of these events and would like to schedule a meeting to learn more about Venture or get a product demonstration of RUP4STP, please contact us at 781.932.7544.

SIA STP Settlement Fall Conference	October 2 – 3	New York, NY	Sponsor and Exhibitor	www.sia.org
ICI Operations Conference	October 20 – 23	Scottsdale, AZ	Exhibitor	www.ici.org

New VENTURE Web Site

Look for the new Venture Web site scheduled for launch later this fall at www.venturefsg.com.



VENTURE
Financial Systems Group, LTD.



Automating Processing of Interest Rate Swaps (continued from page 4)

still handle the transactions with considerable manual intervention. Legacy applications cannot handle the complexity of the derivative transactions because many of the events associated with derivatives are very different than with other asset types.

Venture recently completed a successful project to automate the back-office processing of Interest Rate Swaps for a major Asset Management firm. Many front and back-office applications lack the capability to process Interest Rate Swaps. Venture designed and implemented a means of processing IR Swaps within the client's existing application architecture. The successful implementation allowed the Asset Management firm to increase trading volume and extend trading volume into foreign currency IR Swaps, while realizing savings in operational costs.

A Venture project team of consultants, led by Andy Luro, Managing Consultant at Venture, worked closely with the Asset Management firm's staff to analyze existing business workflows and system processes to arrive at a solution that best fit the client's business requirements and system architecture.

The following is a definition of Interest Rate Swaps as provided by Venture:

"An Interest Rate Swap (IRS) is an agreement between two parties to exchange interest payments based upon an agreed principal amount for

a specified period. The contract has two legs — a 'pay' leg and a 'receive' leg. Interest for each leg is calculated like bond interest based on the principal amount of the contract. Each leg can have different methods of calculating the interest payable or receivable. Generally, a contract has a fixed rate leg and a floating rate leg. The interest rates on the fixed side are constant throughout the life of the contract. The accruals on the floating side are constant until Reset Date. There are two main types of IR Swaps, one that amortizes at reset to a new principal value and another where the principal value is constant over the life of the contract."

Due to the nature and complexity of these investment instruments, manual back-office processing of Interest Rate Swaps involves many labor-intensive steps increasing the risk of costly errors. Automation is a prerequisite to reducing risk. This required a project team uniquely qualified to design and deliver an innovative approach to a complex issue.

Venture provided a consulting team with hands-on experience in investment operations and back-office Processing. The team possessed a high degree of derivative expertise and was adept at working both vertically and horizontally across the organization. The Venture consulting team brought to the table in-depth industry knowledge

combined with the enthusiasm and commitment to work in partnership with the client to resolve processing limitations. In all, a very successful project due to the collaborative and creative efforts of the Asset Management firm's internal staff and the Venture consulting team.

Industry Hot Topics

Separately Managed Accounts. One of the fastest growing segments in the marketplace today is the area of separately managed accounts. In fact, more money has been flowing into separately managed accounts than mutual funds over the past quarters. However, unlike the mutual fund industry where standard practices have taken hold, the landscape is covered by disparate systems and workflows from vendors and sponsors alike.

Look for the next NAVIGATOR for an in-depth analysis on the front- and back-office challenges faced when implementing a managed accounts program.

Derivatives. To manage risk in an increasingly complex and volatile environment, asset managers are using derivatives to hedge different types of risk — interest rate risk with a variety of derivatives products such as FRAs, IR Swaps, Caps and Floors, currency risk with Currency Swaps, and credit risk with Credit Default Swaps and Total Return Swaps.

Venture staff are currently helping clients handle these complex instruments in the front and back office. Please contact us if you wish to have an informal discussion about derivatives or any other topics.

About VENTURE Financial Systems Group, LTD.

Venture Financial Systems Group, LTD. is a consulting firm specifically focused on delivering business and technology solutions to the investment industry. Venture offers a wide range of consulting services including strategic planning, software and vendor service evaluations, system integration, customized software solutions, and implementation services. For more information, visit: www.venturefsg.com.



VENTURE
Financial Systems Group, LTD.