

Exari DocGen™ Optimizes Derivatives Master Agreements Process for a Global Investment Bank

Exari DocGen™ helps the documentation group reduce turnaround times to develop first drafts of master agreements from hours to minutes, and eliminates the need to check first drafts and recheck amended versions.

Introduction:

Headquartered in New York City, this global financial services firm specializes in institutional securities, wealth management and asset management, providing products and services to corporations, governments, individuals and other financial institutions.

Their Derivatives team includes over 200 professionals globally, with documentation staff located in New York City, London, Hong Kong and Eastern Europe.

Challenges:

Their current processes around master agreement development and management presented the bank with three significant business challenges, which related to compliance and access the data in their agreements.

Document Creation

The bank used Word templates to manage their central content library. To use these templates, users consulted a procedure manual that explained how to paste clauses suitable for particular jurisdictions and counterparty types.

While the bank had procedures in place, users would maintain their own copies of the templates, which did not reflect any changes made to the master. This meant that every first draft document had to be checked and then very carefully rechecked to avoid error and compliance failures.

Negotiation

Their current process could not track where the progress of a contract was in the negotiation stages or what changes were made. It became increasingly difficult to record deviations from standard clauses and there was no audit trail of sign-offs.

Risk Management

The bank had difficulty knowing what terms were in each document in order to analyze risk. While they had some hard-coded metadata providing the business with information to make risk decisions, there was no way for them to easily identify and extract data from areas of the documentation that they hadn't anticipated needing at the time of sign-off. When risk management personnel needed access to new data, they had a team of personnel 'scrub' the documents – that is, manually review the documentation and record the new data. In many cases, this required field changes in static, existing systems to store the new data elements. This was a daunting task, considering the bank had over 20,000 ISDA Master Agreements in place at any given time, and required significant man hours.

The Exari Solution:

The bank new Exari's DocGen™ system would solve their issues, part due to Exari's strength as a rule-driven document assembly engine that can create triggers from the same data that is used to create the document. Exari also demonstrate how DocGen would integrate with their key security systems (e.g. for single sign-on).

The first phase of the Exari implementation focused on the development of Master Agreements. The authoring team developed templates for the ISDA Schedule, ISDA Standard Form, Credit Support Annexes (CSA) for multiple geographies, Global Master Repurchase Agreement (GMRA) and Global Master Securities Lending Agreement (GMSLA). In total, Exari now tracks several hundred data items through 171 interview questions.

In developing the Master Agreements solution, the bank exploited key Exari features in order to:

- Utilize one interview across multiple templates to generate agreements. This is a real time saver from a negotiator's perspective.
- Significantly leverage the bank's investment in one document template to build subsequent, related documents. This is a real time saver from an authoring perspective.

The bank's IT team developed a custom application to enable end-users to invoke Exari, to store and retrieve documents and to allow them to amend or add additional clauses via an Exari interview, without requiring any template authoring knowledge. Approximately 150 master agreement negotiators – many of whom are not lawyers– complete an Exari interview to generate first draft agreements on the bank's paper. Exari ensures that the initial draft is assembled using the bank's approved clauses.

The Master Agreements solution is also integrated with three internal database systems, which maintain reference data. This solution will electronically look up and bring back into Exari any necessary counterparty identification numbers, branch, country, states, investment manager information, currency, etc.

The bank is also testing plans in other functional areas to send the XML output from Exari into an XML database for analysis and reporting.

Benefits

The benefits of implementing Exari DocGen™ for the bank include:

Documentation Efficiency

- Achieve uniformity of data between multiple stakeholders, including Treasury, Credit Risk Management and Collateral Management. With Exari DocGen™ the organization can automatically collect data during the assembly process and store it in one place. With the collaboration technology, each department can review and provide input and feedback seamlessly.
- Reduce turnaround times to develop first draft master agreements - from hours to minutes- and eliminate multiple draft reviews.

Negotiation

- Rate the risk level associated with clauses to route and obtain approvals based on escalation matrix.
- Provide an audit trail to demonstrate compliance and identify the status of an agreement by stage and sign-off, eliminating the need to manually create these reports.

Risk Management

- Guarantee the quality and integrity of master agreement data.
- Automatically extract and have fingertip access to all data.
- Minimize the legal risk associated with agreements by using centrally-stored, up-to-date templates.

ABOUT EXARI

Exari is the market-leading Enterprise Contract Management platform for delivering 100% Contract Certainty™. Hundreds of thousands of users across 80 countries use Exari for contract creation, negotiation, contract analytics as well as for strategic sourcing. Five of the top fifteen global banks, four of the world's top insurance brokers, and numerous market-leading energy companies use Exari.

Exari is headquartered in Boston, Massachusetts with offices in Oslo and Bergen, Norway; London, UK; Munich, Germany; and Melbourne, Australia. Learn more at www.Exari.com.