



WHY A THIRD PARTY?

Expertise that fits within your budget

When independence, transparency and accuracy are needed, only one valuation service can meet these requirements at an affordable price – DerivActiv.

Industry best practices dictate that independent valuation be used to ensure transparency and eliminate potential or actual conflicts of interest. Relying on information from the counterparty or advisor does not guarantee that the information is unbiased. Proper reporting requires impartial information that comes from an independent third party like DerivActiv.

Partnering with DerivActiv to meet your FAS 133, 157, and 161 and GASB 53 requirements is a simple and streamlined process. You will receive quarterly and annual valuation reports, as required by your auditors.

The DerivActiv web platform can also perform trade analytics, curve shock reports, threshold alerts and cash flow verifications.

Using DerivActiv for derivative valuations, FAS 157 accounting, and hedge accounting has the added benefit of relieving the pressure on accounting/ treasury staff to perform the complicated modeling procedures necessary to meet current and future regulatory requirements.

TOMORROW:



Reporting made easy

DerivActiv is a powerful portfolio risk management and hedge accounting service. Staffed by experts who have an average of 15 years of industry experience, DerivActiv provides clients with a data repository where every derivative in their portfolio can be tracked instantly through a web connection. Valuations are calculated on a daily basis. Providing independent, accurate values on derivatives is the cornerstone of our business.

DerivActiv provides values to help satisfy auditors as well as internal and external financial statement users. Clients also have access to all the information necessary to comply with FAS 133, 157, and 161 and GASB 53.

DerivActiv is an independent third party. We are not affiliated with any bank, accounting firm, or financial product. We do not originate or provide advice on transactions. This independence guarantees that we will never compromise the integrity of our services or valuations.

Because our services are accessed through the internet, DerivActiv has taken extra precautions to ensure the security and availability of our clients' data by having a dedicated server network. Data is backed up daily, and electronic document storage is secure. Client-specific information is password protected but easily accessible and available 24/7. DerivActiv believes in taking extra precautions to eliminate downtime and create peace of mind for our clients.

To ensure effective internal controls over information technology and related processes, DerivActiv is audited annually by an outside accounting firm in accordance with the Statement on Auditing Standards (SAS) No. 70. DerivActiv consistently meets SAS-70 standards.

ABOUT DerivActiv

Independent third-party valuation services

DerivActiv provides independent derivative valuations, FAS 157 fair value services, and hedge accounting services to municipal and corporate clients who use derivatives. DerivActiv provides daily valuations of financial products including equity, currency, and fixed income securities and derivatives. DerivActiv is used for FAS 133, 157, and 161 and GASB 53 compliance, and as an internal risk management tool. Through various partnerships, we can also provide FAS 157 valuations for pension funds and endowment or foundation funds, FAS 141R (business acquisitions), FAS 123R (stock options), and IRS 409A (deferred compensations) reporting.

DerivActiv provides FAS 157 valuation reports for the full range of Alternative Investments from simple to the most complex, including:

- Asset-Backed Securities
- Auction Rate Securities
- Cash and Synthetic CDO & CDO² Tranches
- Collateralized Mortgage Obligations (CMOs)
- Convertibles
- Credit Linked Notes
- Distressed Securities
- Exotic OTC Options
- Hedge Funds
- Mezzanine Debt
- Mortgage-Backed Securities
- Pass-Throughs
- Private Equity
- Private Real Estate
- Side Pocket Transactions
- Structured Investment Vehicles (GICs)
- And Other Complex, Illiquid Securities



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Independence | Transparency | Accuracy



➤ TODAY:

Increased regulation, more rigorous reporting

The regulatory environment for financial reporting is becoming more burdensome as the use of increasingly complex derivatives has proliferated. Accounting departments face a constant challenge to keep up with ever-changing rules that demand increased transparency and consistency in fair value measurements of derivatives in financial statements. It has become much more difficult to satisfy FAS 133, 157, and 161, and GASB 53 with only information gathered from internal staff or the counterparties.

In addition, many derivative valuations cannot be achieved by making a few simple changes to spreadsheets or accounting software. Many organizations do not have the valuation models necessary to determine even the most basic derivative valuations. The inability to meet these new valuation standards could leave your organization vulnerable to inaccuracies in financial statements or unexpected changes in the value of derivative portfolios.

Where can you turn to get trustworthy and proven valuations from an independent third party?



DerivActiv is a leading provider of web-based derivative valuation and financial monitoring services, proudly serving healthcare organizations, higher education institutions, non-profits, municipalities, financial institutions and corporations since 2004.

Daily Mark-to-Market Valuations

Unbiased valuations for derivative trades are calculated and available on a daily basis so you can meet FASB and GASB standards, identify trends, and spot opportunities (and risks) that may signal an imminent, necessary, or desirable change in your position.

Hedge Accounting

To reduce the burden of FAS 133—"accounting terrorism" as one client calls it—we perform all of the required hedge effectiveness tests (Methods 1, 2 & 3). We even provide proposed journal entries for use in your financial statements. For governmental clients, we provide all of the required qualitative and quantitative calculations to determine effectiveness under GASB 53.

Fair Value Accounting

With the implementation of FAS 157 and FAS 161, entities are required to have a process for determining fair value as defined by FAS 157 and prepare their financial statements accordingly, thereby providing more transparency. DerivActiv has a proven process (approved by auditors) and can perform these calculations on a cost-effective basis.

GASB 53

Effective for periods beginning after June 15, 2009, GASB 53 will require that governmental entities determine whether their derivatives are effective hedges or simply investment derivatives. DerivActiv can provide all of the calculations necessary to comply with GASB 53.

Trade Analytics

Customized reports analyzing dozens of different parameters for each swap help you to better understand contract termination values and derivative volatilities.

Cash Flow Analysis

Validate counterparty calculations, rather than blindly paying or receiving interest, using independently calculated historical cash flows of the payment legs between your organization and your counterparties. In the event of a counterparty cash flow error, we research possible causes to help you reach resolution.

Threshold Alerts

Individually tailored e-mail alerts provide an early warning of trends or events, such as collateral posting, that may affect your derivative positions, so you can actively manage market risks and opportunities without investing in expensive systems or expending time on daily monitoring.

Sensitivity Analysis

Our reports enable you to assess portfolio sensitivity to fluctuations in interest rates for both shifts in the yield curve and changes in the shape of the yield curve—solid gauges of the possible upside or downside in your portfolio, given realistic potential changes in market conditions.

Convenient Reporting

In addition to having daily web access to derivative valuations, you have the option of receiving consolidated reports via e-mail or U.S. mail on a monthly, quarterly or annual basis.

Valuation Attestation Letters

In an unregulated industry like ours, it is not only comforting but often a requirement that you receive signed valuation attestation letters from independent parties on key quarterly or annual reporting dates.

Independence

Transparency

Accuracy

