

Markit Document Exchange, a secure on-line repository for storing and distributing counterparty and KYC documentation is making a significant contribution to streamlining these processes. 45% of buy-side respondents and 44% of sell-side respondents strongly agreed with the statement that before using MDE, distributing and collecting counterparty documentation was a big challenge. Over 60% of buy-side and sell-side respondents found key documents for on-boarding and counterparty reporting were not readily accessible, and exchanging documents across jurisdictions was a particular challenge for 66% of buy-side respondents and a staggering 72% of sell-side respondents.

Since using MDE, both buy-side and sell-side agree that their documentation sharing processes have become significantly improved. 67% of respondents on the buy-side either agreed or strongly agreed that using MDE had streamlined their documentation sharing process and 75% felt that MDE had improved, or significantly improved operational efficiency. One of the biggest benefits of using MDE for the buy-side was the ability to control access to documentation, and the availability of a detailed audit trail. 85% of respondents felt this was the case.

On the sell-side, 90% of respondents agreed or strongly agreed with the statement that "Markit Document Exchange has increased operational efficiency" and 85% felt that control over access to documentation had been significantly improved. MDE's "Agreement Management" module will be released in February 2008 and will give far greater visibility about the documents executed by counterparty, by type.

Recommendations for managing counterparty documentation in 2009

The failure of Lehman Brothers marked a significant turning point in documentation management. As the firm collapsed, counterparties and clients alike started scrambling to assess their counterparty risk to Lehman Brothers. They struggled to find all the necessary documentation to identify this risk at, and to serve the requisite notices. Elsewhere, as the market conditions have resulted in a significant number of ratings downgrades, these have triggered collateral calls and

many firms do not have a good handle on what those triggers are without ploughing through filing cabinets full of hard copies of ISDA Credit Support Agreements (CSAs).

MDE provides a safe and secure central library for all counterparty documentation. Documentation can be filed using a logical system and access can be shared across users, departments and jurisdictions. Key agreements and terms can be accessed easily for management reporting. The permissions to the documents can be closely managed to protect confidentiality. However, through the community on the platform, the correct contacts for documentation can be identified much more easily.

No matter which solution firms choose, 2009 will be a key year for operational and infrastructural improvements. The gaps in infrastructure and systems and fresh in the mind and senior management still feel the fear and pain of the dark days of Autumn 2008. Whilst this is the case, and trading volumes are lower, it is a good opportunity to go back-to-basics. The main requirements to consider are:

- store documentation in a central place which is secure
- ensure access is available globally
- store final version, golden copies of documents
- track who can save or change those documents
- have an external element to the platform so that documents can be permissioned out instead of having to rely on e-mail
- be able to extract key terms from the documents for management reporting and fire drills.

Methodology

The survey was conducted by Markit and included users of the Markit Document Exchange (MDE) service. The users represented banks, broker-dealers, hedge funds and investment managers.

Contact details

For more details about Markit Document Exchange or the 2008 Survey, please contact mde@markit.com

For further information about Markit, please visit www.markit.com

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