Treasury Consulting Group Fixed Income Platform (www.fixedincome.global) launched BeSpoke Portfolio Desk. In BeSpoke Portfolio Desk we would be creating our own BeSpoke Derivatives covering variety of Assets Classes, Industries like:

Assets Classes in our BeSpoke Portfolio Desk:

- Foreign Exchange (FX)
- Interest Rates (IR)
- Fixed Income (FI)
- Money Markets (MM)
- Energy & Risk
    - CNG Futures
    - LNG Futures
    - RBOB Futures
    - Heating OIL Futures
    - Cracks
    - Gas Futures
    - Respective Assets Classes in Energy
- Commodities
    - OIL Futures
    - Coal Futures
    - Respective Assets Classes in Commodities
- Electricity Futures
- Live Stock & Meat Futures
- Agriculture
    - Corn
    - Soybeans
    - Wheat
    - Rice
    - Cocoa
    - Coffee
    - Cotton
    - Sugar
    - Respective Assets Classes in Agriculture

Industries covered in our BeSpoke Portfolio Desk:

- Banks
- Financial Institutions (FI)
- Hedge Funds
- Insurance Companies (Direct Insurers)
- Insurance Companies (Re Insurers)
- Proprietary Trading Desk
- OTC Exchanges
- ETD Exchanges
- Treasury Management Systems (TMS)

Treasury Consulting Group BeSpoke Portfolio – Pension Fund Structured Liabilities – TRPFX

TRPFX is a Structured Derivative which is designed for Insurance Companies having $ Assets, Liabilities in the Books subject to Credit Risk however would like to get better yield for their Portfolio. Structured Derivatives is designed keeping covering of exposures using BMK (Benchmark) Swaps, Carry Currencies Trades, Principal Only Swaps (POS) Structures, Non-Deliverable Structures and respective Derivatives Instruments.

Structuring of **TRPFX** is done in such a way that it covers Accounting Cycle, Settlement Cycle. **TRPFX** would be covering all 3 aspects like Pricing, Accounting, Settlement. Accounting is done using IFRS 7, IFRS 9, IFRS 13.

Case: CalPERS (Largest Pension Fund of Globe) is having $ 10 Billion USD Assets in Books which they would like to cover in FX, IR, MM Markets. They are looking for good returns but not at the cost of Principal. TRPFX would be using BMK (Benchmark) Swaps, Carry Currencies Trades, Principal Only Swaps (POS) Structures, Non-Deliverable Structures and respective Derivatives Instruments to cover $ 10 Billion Exposures. Payoffs are created using live Thomson Reuters, Bloomberg, Excel Solvers (designed by Treasury Consulting)

Treasury Consulting Group (Singaporean Multinational Group)

List of Counterparties:

CalPERS (NY)
CalPERS (India)
CalPERS (Singapore)
Monetary Authority of Singapore (MAS)
International Swaps & Derivatives Association (ISDA)
JP Morgan Chase (Chase, NY)
JP Morgan Chase (Chase, India)
JP Morgan Chase (Chase, Singapore)
Primary Dealers (PD)
Reserve Bank of India (RBI)

List of Instruments:

Bullet Transaction of 1Y Period
Deliverable Trades
Non-Deliverable Trades
Benchmarks Swaps (BMK)
Benchmarks Volatilities

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Step 1: We need three Banks – CalPERS US Bank (JP Morgan Chase, NY), CalPERS Subaccount (JP Morgan, India), CalPERS Non-Deliverable Bank (JP Morgan, Singapore). Chase (NY) would initiate covering position of $ 10 Billion. The position of $ 10 Billion can be covered using both Deliverable Subaccount – Chase (India) as well as Non-Deliverable Subaccount – Chase (Singapore). Funding in India would happen under approved FII Route by Reserve Bank of India (RBI)

Step 2: Chase (NY) would create Principal Only Swaps (POS) on behalf of CalPERS (NY) with Chase (India) for CalPERS (India) whereby they would be agreeing on a POS Rate. Principal Only Swap (POS) is the rate at which Foreign Currency (FC) Assets/(Liabilities) can be converted into Local Currency (Liabilities)/Assets. At the end of the period the same Local Currency (LC) would be converted into Foreign Currency (FC) at an agreed POS Rate. Both the Counterparties won't face any MTM Gains/(Losses) in the books. Please also be note that no MTM to be computed even if CalPERS (India) or CalPERS (US) using Level 1 (L1), Level 2 (L2), Level 3 (L3) as per US GAAP 133, 157, IFRS 7,9,13

Step 2 (Scenario 1): $ 10 Billion would convert into INR at same POS Rate. The beauty of POS is CalPERS (India) would be paying agreed INR amount to Chase (India) at the end of the period.

Scenario	Foreign Currency ($ Mn)	POS Rate	Local Currency (Mn)	1Y FWD Premium	POS Funding Cost
1	10,000	20	2,00,000	280	14.0%
2	10,000	25	2,50,000	280	11.2%
3	10,000	30	3,00,000	280	9.3%
4	10,000	35	3,50,000	280	8.0%
5	10,000	40	4,00,000	280	7.0%
6	10,000	45	4,50,000	280	6.2%
7	10,000	50	5,00,000	280	5.6%
8	10,000	55	5,50,000	280	5.1%
9	**10,000**	**72**	**7,20,000**	**280**	**3.9%**
10	10,000	82	8,20,000	280	3.4%
11	10,000	92	9,20,000	280	3.0%
12	10,000	102	10,20,000	280	2.7%
13	10,000	112	11,20,000	280	2.5%
14	10,000	122	12,20,000	280	2.3%
15	10,000	132	13,20,000	280	2.1%
16	10,000	142	14,20,000	280	2.0%
17	10,000	152	15,20,000	280	1.8%

Treasury Consulting Group (Singaporean Multinational Group)

POS Funding Cost can be directly taken from Thomson Reuters and see it from P&L. The attached is the Thomson Reuters confirming USD/INR POS 1Y Pricing at 4.08% of notional. We are taking 4.08% and not 4.11% as we are converting $ Assets to INR Liabilities. With this 4.08% Cost CalPERS (India) would convert $ Assets into INR Liabilities and at maturity would give equivalent INR to Chase (India).

INRPOS= Quote | INRPOS=

INRPOS= POS LINKED DISPLAYS INRPOS

	INR	POS	DEALING		
1Y	4.08	4.11	GREENBACK FX BOM	04FEB19	17:13
2Y	3.86	4.17	GREENBACK FX BOM	04FEB19	17:13
3Y	3.88	4.28	GREENBACK FX BOM	04FEB19	17:13
4Y	3.90	4.40	GREENBACK FX BOM	04FEB19	17:13
5Y	3.81	4.39	GREENBACK FX BOM	04FEB19	17:13
6Y	3.68	4.34	GREENBACK FX BOM	04FEB19	17:13
7Y	3.56	4.28	GREENBACK FX BOM	04FEB19	17:13
8Y	3.40	4.17	GREENBACK FX BOM	04FEB19	17:13
9Y	3.29	4.08	GREENBACK FX BOM	04FEB19	17:13
10Y	3.12	3.97	GREENBACK FX BOM	04FEB19	17:13

Please be note that Examples of POSF (Principal Only Swaps Forward) is created using $ 1 Million. Replicate can be created on $ 10 Billion Portfolio.

Please be note that POSF is a Structured Derivative created by **Treasury Consulting Group.** No Bank in the Globe would be able to claim right on the POSF created by Treasury Consulting Group.

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100% Portfolio is Paid costing $ 350 K (Total 16 Pages)

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Accounting of Derivatives Portfolio (IFRS 7, IFRS 13, IFRS 9)

Treasury Consulting Group – BeSpoke Portfolio Desk is having USP of providing complete accounting package of aforesaid Bespoke. Accounting is to be provided using IFRS 7, IFRS 9, IFRS 13. We are dividing Accounting into following Parts:

- Hedge Accounting of Principal Only Swaps (POS)
- Hedge Accounting of Principal Only Swaps Forward (POSF) covering either:
    - Range Forward (Importer)
    - Seagull (Importer) – Call Style
    - Seagull (Importer) – Put Style
    - Participating Forward (Importer) (0% Risk Participation) – Call Style
    - Participating Forward (Importer) (0% Risk Participation) – Put Style
    - Participating Forward (Importer) (40% Risk Participation) – Call Style
    - Participating Forward (Importer) (40% Risk Participation) – Call Style
- Hedge Accounting of BMK Swaps
    - Held till Maturity (HTM)
    - Held for Trading (HFT)
    - Available for Sale (AFS)
    - SPPI Test
- Hedge Accounting of Credit Default Swaps (CDS)

Hedge Accounting

Quantitative Hedge Accounting

- Dollar Offset Method
- Regression Method
- Long Haul Method
- Modified Dollar Offset Method

Qualitative Hedge Accounting

Critical to Terms (CTM) Method
Short Cut Method

- Impact of Revaluation (P&L, OCI)
- Impact of Translation (OCI)

- Fair Value Hedging using Non-Deliverable Markets
- ISDA Agreements covering Hedge Accounting

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Points to Ponder:

- Portfolio is 100% AAA Rated and having Sovereign Guarantee
- Default Probabilities are almost Zero so as CDS Cost
- Imputed MTM can't only be covered but also hedged using OTMF Range Forward, Seagull, Participating Forward
- Net Yield of the Portfolio is between 6% - 8% (Offshore Markets) which is net of POS Cost
- Portfolio is not subject to any Revaluation Risk under IFRS 13
- POSF is subject to Hedge Accounting either Quantitative or Qualitative
- Easily integrate with any Treasury Management System (TMS) like Murex, Calypso as well as live linking from Feeders like Thomson Reuters, Bloomberg.
- Portfolio can be hedged using Non-Deliverable Products in Singapore
- Zero Cost Structures like Range Forwards, Seagull or Participating Forward so no P&L impact covering Premium

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