

GAME-CHANGERS: NEW FINANCIAL PRODUCTS AND PLATFORMS FOR UNCHARTED TERRITORIES

INTRODUCTION

Over the last 18 months, a three-headed monster has invaded the U.S. financial system. Its vicious heads include the mortgage crisis, the potential for increased systemic risk due to credit default swaps (CDSs), and business' thirst for financing.

Devastation is all around. Venerable names such as Bear Stearns, Lehman Brothers and Merrill Lynch have disappeared. Citibank, with a current market capitalization of slightly more than US\$15 billion, is only a shadow of its former self. As many other household names are also being brought to their knees by this millennium's first financial scourge — the U.S. mortgage crisis, U.S. housing prices continue their downward spiral. In fact, the S&P/Case-Shiller U.S. National Housing Price Index has declined by over 25% since year-end 2005.

Though CDSs first appeared in connection with the Bear Stearns' collapse in March, their potential for financial systemic risk only became more apparent as 2008 wore on. As such, a number of CDS clearing house initiatives were proposed in the second half of 2008. In late 2008, NYSE Euronext launched its central counterparty clearing house for CDSs, though it has yet to clear a single trade.

The Chicago Mercantile Exchange (CME)/Citadel clearing house initiative has already received approvals from all the requisite agencies (Securities and Exchange Commission, Federal Reserve, Commodity Futures Trading Commission), but has chosen not to launch just yet. Eurex is expected to have a clearing house operation soon, but not until the Q2 2009. Intercontinental Exchange (ICE) opened its CDS clearing house business — ICE U.S. Trust — in March 2009, and has already reported guaranteeing US\$7.2 billion contracts. Despite this, CDSs remain front-and-center headlines as potential sources of systemic risk.

As a consequence of the uncertainties created in the mortgage crisis and the acknowledgement of counterparty risks in the OTC derivatives market, the fixed

John Jay
617.261.7137
jjay@aitegroup.com

101 Arch Street
Suite 501
Boston, MA 02110
Tel: 617.338.6050
Fax: 617.338.6078
info@aitegroup.com

IMPACT NOTE

income markets are experiencing almost no issuance in certain sectors. One-month LIBOR is no better than 50 basis points or so, while the U.S. 10-year note is currently yielding only about 2.7%. The issuance of high-yield bonds has shown recent signs of life, but their durations are oftentimes well beyond three years. Securitization markets are on hold as the effects of the U.S. Treasury Department's Public-Private Investment Programs have yet to be felt. Where is there a primary financing market that will bring investors and liquidity-needing business borrowers together?

With all of these things serving as a backdrop, in comes three game-changers: SwapRentSM, NetDelta, and The Receivables Exchange.

THE MORTGAGE CRISIS

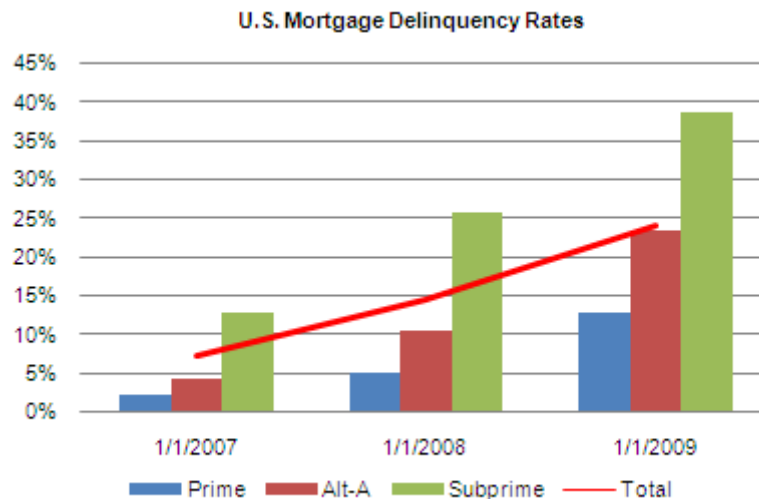
MARKET REALITY AND CHALLENGES

The U.S. residential market is in tatters. What many initially considered a contained subprime mortgage problem has now spread to include prime and Alt-A mortgages. (On a creditworthiness scale, prime mortgages are the most creditworthy, followed by Alt-A and subprime, respectively.)

For about US\$5.5 trillion in securitized non-agency mortgages, the overall mortgage delinquency rates — which encompass from one missed payment to real estate owned (borrower-relinquished properties to lender) — increased by a stunning 67.2% to 24.1% in just one year (January 2008 through January 2009). During the same period, even though subprime mortgage's 38.9% in delinquencies is the largest found of any of the mortgage type categories, prime mortgages logged the largest increase in delinquencies, of 144.2% to 12.9% (see Figure 1 on page 3).

In these economically stressed times, 30 and 60-day delinquencies are included to reflect the increased likelihood of their evolving into more serious delinquency buckets than they would be in more "normal" economic environments. It is no exaggeration to say that the default rates during this era of securitization are unprecedented.

FIGURE 1: RESIDENTIAL MORTGAGE DELINQUENCY RATES (30D, 60D, 90D, FORECLOSURE, REAL ESTATE OWNED)

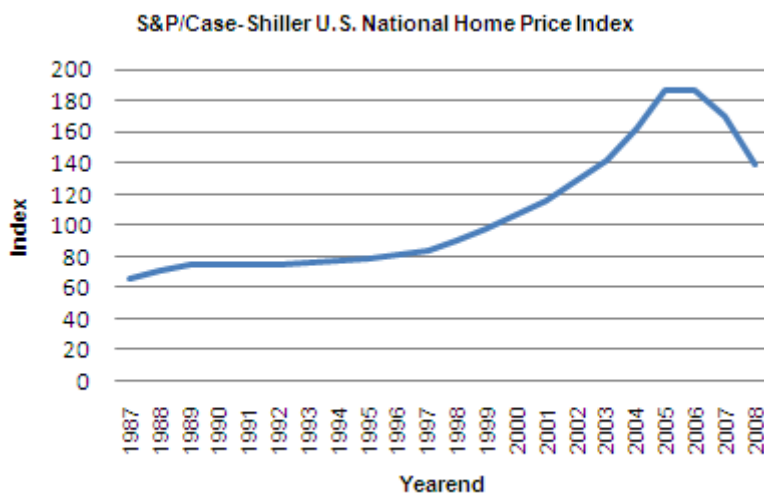


Source: Bloomberg non-agency database

In addition, based on government-sponsored entities' enterprise-wide US\$5.2 trillion book of business as of Q3 2008 — primarily composed of Fannie Mae and Freddie Mac conventional single-family mortgage-backed securities (MBSs) — Fannie Mae and Freddie Mac had 1.72% and 1.22% in 90 or more days in delinquencies, respectively. Four months later, serious delinquencies for conventional single-family Fannie Mae and Freddie Mac MBS increased to 2.42% and 1.98%, respectively — representing percentage increases of more than 125% from the prior year. As such, the mortgage market is potentially facing a default pipeline on the order of US\$1.4 trillion.

Ultimate realized real estate losses are dependent on house values. In this regard, residential real estate values are currently not providing any relief. Using re-sale of single-family home prices from 20 metropolitan regions across the United States as indications of national home prices, the S&P/Case-Shiller National Home Price Index (calculated by Fiserv Inc.) shows that Q4 2008 home values dropped 25.6% from their 2005 high of 186.97 (see Figure 2 on page 4).

Put in more practical terms, homeowners that bought their houses at the end of 2005 with 75% or higher loan-to-value mortgage loans have already lost their entire equity interest — not even including closing costs. At year-end 2008, the total value of U.S. residential properties stood at US\$19.1 trillion.

FIGURE 2: S&P/CASE-SHILLER U.S. NATIONAL HOME PRICE INDEX

Source: Standard & Poor's

SWAPRENTSM

NEW FINANCIAL PRODUCT(S)

Desperation is indeed the mother of invention. With the stark realities of the U.S. mortgage market as a backdrop, in swoops SwapRentSM — an OTC derivative concept whose market is determined by "economic renters" on one side, and "economic landlords" on the other to accomplish, in effect, "economic renting."

A homeowner facing imminent default runs the real-world risk of being put out on the street. In order to forestall such an eventuality, he or she can enter into a "sale and leaseback" arrangement with a buyer, in which the current homeowner sells the house and leases it back from the buyer. Such a brute force approach will entail a title transfer, as well as taxes and closing fees. A SwapRentSM transaction will achieve the same economic results without the additional costs (for both buyer and seller) and change in ownership while allowing the homeowner to remain in his house, the property owner to retain ownership, an investor to participate in a property value's potential upside, and the mortgage lender to continue carrying the current loan.

The cost savings in maintaining a current mortgage loan to the financial system cannot be overemphasized. Currently, foreclosed mortgages enter into an

unwanted categorization — real-estate owned — which force lending institutions to contend with continued write-downs, carrying costs, distressed selling, and the prospect of increased government regulation.

Advanced e-Financial Technologies, Inc. (AeFT) is the intellectual property licensor of SwapRentSM and its derivative products. SwapRentSM is offered through AeFT's subsidiary, REIDeX, which will provide the trading venue for the index-linked derivatives versions. SwapRentSM provides another dimension to mortgages besides interest rates and credit from a tradable security perspective.

The ability to hedge home price risk can have many applications for homeowners, financial institutions, and investors. Such transactions allow homeowners to weather the current crisis as well as hedge their ability to pay their mortgages during more "normal" times. In addition, homeowners will be able to, in effect, purchase protection against downside property value risk.

For financial institutions, this concept has implications for producing different kinds of consumer mortgage products. For instance, financial firms can offer mortgages to individuals such that homeowner mortgage balances can be automatically recalibrated based on the change in the homeowner's property value so that the original loan-to-value of the mortgage remains intact, for instance. On the liability side of the balance sheet — analogous to structured products in the retail investor space — financial firms can offer investors a floored return (e.g., by way of FDIC-insured deposits) while also providing for exposure to the residential real estate market. For investors and traders, direct exposure to residential real estate can be a source of alpha or part of a hedging program.

In a Generic SwapRentSM transaction, the flow of funds, prior to their maturity, will be familiar to those trading interest rate swaps, in that an exchange of payments, based on the notional market value of the real property, transpires between a homeowner and an investor. The homeowner ("economic renter") will pay "rent" to the investor ("economic landlord") in exchange for the investor paying the homeowner a fixed or floating funding cost over a set period of time. To the extent that the funding cost exceeds the "rent," a homeowner can use this to pay his mortgagee to remain current on his loan. In economic consideration of providing a "subsidy" to the homeowner, the investor is entitled to any property valuation change upon the maturity of the swap (i.e., sale and leaseback equivalent). The swap contract can be closed out prior to maturity with a counterparty in exchange for its net present value, much like in interest rate swaps today. A sample cash flow schema of SwapRentSM is shown in Figure 3 on page 6.

FIGURE 3: SAMPLE SWAPRENTSM CASH FLOW SCHEMA

Source: Advanced e-Financial Technologies Inc.

The SwapRentSM transaction can be further bifurcated so that homeowners either forego some property valuation upside, or protect themselves from downside property price risk. In the former instance (options parlance), a homeowner is short a covered call option; that is, the owner owns real property of which he is giving up some upside price potential in exchange for an options premium. In the latter instance — again borrowing from options jargon — the homeowner is long a put option; that is, the property owner is protected from a depreciation of his or her home value by paying a premium ("rent") to an investor such that the investor will be induced to provide downside protection.

Critical mass and transparency will dictate the tradability of SwapRentSM and its variants. At this stage of the financial product's development, consumers must learn to be comfortable with expressing their risk tolerance and/or return expectations through the monetization mechanisms offered by these derivatives. That may sound more abstract than necessary in the current economy, as strapped consumers may simply base their decision-making on their payment sensitivity and aversion to foreclosure. Though an index-based approach (e.g., comparables by ZIP code) is preferable in creating a market for this product, initial participants may have to make due with individual appraisals of properties.

At the institutional trading level, an index approach, representing levels of different contiguous geographic locations (e.g., by Metropolitan Statistical Area) across different tenors, will facilitate liquidity. With such information, a term structure of SwapRentSM, and therefore, a forwards market, can be actualized. In like fashion, options trading will materialize as SwapRentSM options versions' price levels get posted, and market participants can battle over perceived differences in implied volatilities.

From a business operational standpoint, data and solutions vendors and financial institutions will face many challenges as data granularity, data timeliness, contributor participation rates, error-free novation, compliance and counterparty credit risk monitoring are but a few issues they must address. One must bear in

mind that these operational issues are common across all OTC derivatives and are themselves separate from the fundamental nexus between “economic renters” and “economic landlords.” At the heart of this nexus is the ability to equate future property value to net ongoing cashflow obligations such that the pricing of the allocation of property value risk is market-driven — something that is not currently available in this multi-trillion dollar institutional financial and consumer marketplace.

CREDIT DEFAULT SWAPS AND SYSTEMIC RISK

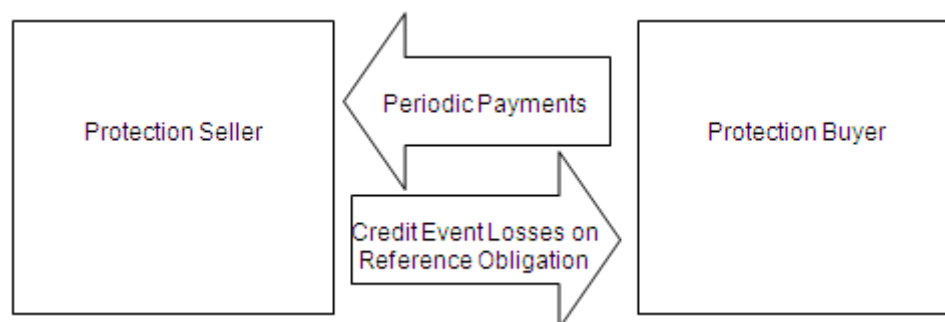
MARKET REALITY AND CHALLENGES

CDSs are insurance-like, over-the-counter (OTC) derivative contracts. They reference fixed income products, such as corporate debt or structured products between protection sellers and protection buyers. The most liquid and actively traded CDSs are in index forms. CDSs can also reference single-name credits or sovereign debt.

In exchange for a protection buyer’s periodic payments, the protection seller promises to protect against any principal loss as a result of “credit events.” The value of the CDS increases as the perceived probability of default of the reference bond increases. Conversely, the value of the CDS decreases as the perceived probability of default of the reference bond declines.

Credit events define the conditions under which a pay-out occurs (e.g., bankruptcy, change in control, downgrade to below investment grade). The protection seller pays the protection buyer the net difference between the full face amount of the referenced bond and its post-credit event market value. This pay-out amount is separate from any net recovery value of the cash bonds, extracted as a result of a bankrupt firm that goes through liquidation.

In a CDS, the protection buyer is the “fixed payer,” while the protection seller is the “variable payer” (please see Figure 4 on page 8). This language is a legacy of a more mature OTC derivative product: interest rate swaps (IRSs), as expressed in the International Swaps Derivative Association (ISDA) Master Agreement. The Credit Support Annex (CSA), a document that defines collateral requirements, is usually attached to an ISDA agreement for the trading of CDSs. ISDA is the trade association that represents participants in this privately negotiated segment of the derivative markets. The variable payer of a CDS has a contingent liability of up to the entire notional amount.

FIGURE 4: CDS CASH FLOW SCHEMA

Source: Aite Group

Both CDSs and IRSs carry counterparty risk. CDSs, however, carry much greater credit risk than IRSs by virtue of the fact the notional amounts are at risk in the former as opposed to the net interest payments in the latter. Just as a comparison of the notional differences between IRSs and CDSs, the Bank of International Settlements (BIS) recorded nearly US\$357 trillion in outstanding notional IRSs and US\$57.3 trillion in CDSs as of June 2008. For June 2008, CDS gross market values — the difference between the present values of the premium payments and the expected defaults of the underlying credits — was US\$3.1 trillion.

As of the week ending February 27, 2009, US\$28.1 trillion in CDSs — having settled by way of DTCC Deriv/SERV — were registered onto the DTCC Deriv/SERV Trade Information Warehouse (please see Table A). The trade information warehouse was first operational in October 2008 as a response to market participants and regulators' demands for greater CDS market transparency.

TABLE A: DTCC DERIV/SERV TRADE INFORMATION WAREHOUSE DATA FOR WEEK ENDING FEBRUARY 27, 2009

		TOTAL FOR ALL CREDIT PRODUCTS (Gross Notional in US\$ Billions)		
		Seller Type		
		Dealer	Non-Dealer/Customer	TOTAL
Buyer Type	Dealer	23,379.3	2,237.8	25,617.1
	Non-Dealer/Customer	2,451.5	28.8	2,480.2
	TOTAL	25,830.8	2,266.6	28,097.3

Source: DTCC

Bear Stearns' demise and A.I.G.'s woes highlight the counterparty risk of CDSs. From the protection buyer's perspective, counterparty risk is the risk of economic

loss due to the non-performance of the protection seller, which has a contractual agreement to perform certain actions in response to predetermined events. Under this definition — and in the case of CDSs — the fixed rate payer is at risk of economic loss due to the non-performance of the variable payer after the occurrence of a credit event.

On the other hand, the protection seller must also bear the risk of non-payment of the protection buyer. In the event the protection buyer no longer makes his or her payments, the protection seller is no longer obligated to be “long the underlying” (i.e., the protection seller is no longer required to fulfill the obligations of the contract). The counterparty risk borne by the protection buyer is clearly much greater than the protection seller’s.

In short, counterparty risk is manifest when one party is aggrieved due to the non-performance of his or her counterparty. Systemic risk due to counterparty risk arises when equivalent but opposite exposures cannot be cancelled from the entire system’s standpoint. As a result, parties must continue to hold positions, which create interdependencies that can otherwise be reduced.

Under a central counterparty clearing house setup, two methods of reducing the number of line items in the monitoring of CDS holdings have been proposed: split coupon, and fixed coupon. The CDS market has settled on 100 and 500 basis point (bp) “coupons” as templates for split-coupon and fixed-coupon generation purposes. The thought is that CDS trading firms will have at most only two coupons on their books, for any given reference asset and tenor.

Under a split-coupon approach, the notional amounts of the contracts at 100 bp and at 500 bp coupons will be pro-rated such that they will be the market spread equivalent. Under a fixed-coupon approach, protection buyers and sellers will determine at time of pricing which coupon is to be quoted — either 100 bps or 500 bps. In both cases, buyers and sellers must keep track of the variable up-front premium fee (an out-of-the-money protection buyer will receive a premium; protection buyer is also liable for the higher periodic coupon payment) as well as any ongoing variance margin. As such, for the sake of reducing the number of different outstanding “coupons” on the books, an element of risk is introduced into the system — the risk of not recouping any up-front premium owed due to non-performance.

NETDELTA

A clearing methodology — by way of at-the-money fungibility (i.e., daily truing) — of contemporaneous netting has been proposed by NetDelta, which allows for system-wide netting within a closed system and avoids the concentration of counterparty risk that is found under a central clearing approach. The settlements

platform can also facilitate portfolio margining of the participating trading firms. NetDelta is a majority-owned subsidiary of Knight Capital Group.

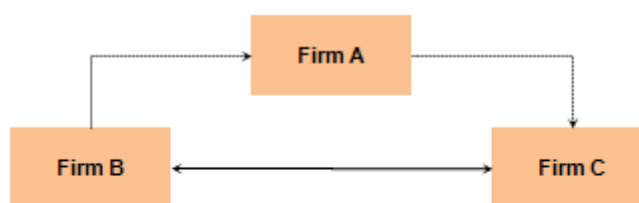
Participants, under this setup, trade against the limits afforded to them by the pool of participants, as in the traditional bilateral arrangement. Even so, equivalent but opposite exposures with performing counterparties will be allowed to offset within the respective position books of the trading firms on a daily basis. Participants retain the ability to choose which counterparties they face inside the central pool instead of relying on an exchange's choice of credit limits.

There is no "pot," (i.e., concentration of risk), that serves as a credit backstop to defaulting parties, as in a central counterparty clearing house exchange model. As such, each participating firm's own capital will be at risk (i.e., only gross positive mark-to-market notional positions of performing trading firms will be at risk against defaulting bilateral counterparties). NetDelta terms this "pooled credit." As such, defaulting trading firms will not be able to apply any positive mark-to-market holdings from their own positions. Compensatory remedies will then be pursued off-platform, reverting to a strict bilateral arrangement between the two parties.

A daily truing (i.e., mark-to-market) mechanism will be in place to handle collateral deposits or withdrawals to ensure at most a one-day adverse market move. Since this methodology does not rely on fixed or split coupons, up-front premium payments and their ongoing changes need not be accounted for.

For this arrangement to work, participating firms must agree that involuntary offsets are allowed. As such, systemic counterparty risk can be reduced relative to strict bilateral or exchange model trading arrangements. A simple example shows that the overall counterparty risk is reduced by one party (see Figure 5); in other words, post-netting, Firm A can go bankrupt without disrupting CDS performance in relation to the other two parties.

FIGURE 5: NETDELTA'S CONTEMPORANEOUS NETTING ARRANGEMENT



CONTEMPORANEOUS NETTING ARRANGEMENT

- Firm A's Position Book: 0
- Firm B's Position Book: B sells to C
- Firm C's Position Book: C buys from B

Source: Aite Group

Subject to financing availability as determined by individual counterparties, counterparty risk on NetDelta is limited only to firms facing open contracts with defaulting counterparties. In this way, counterparty risk is not mutualized (as in a clearing house setup), as there is no need to fund the “pot” to split any losses. Performing parties have the ability to cancel negative mark-to-market contracts of defaulting counterparties while retaining positive mark-to-market contracts against defaulting counterparties on NetDelta. This eliminates the heretofore free option of non-performance found in a bi-lateral trading arrangement or in a central clearing arrangement (i.e., walks away from net-payable obligation without requisite loss of funds from positive mark-to-market positions). This explicit rewarding of performance serves as a large disincentive for non-performance.

Currently, NetDelta is in discussions with five dealers that are thinking about signing onto the platform. Since NetDelta is a settlements platform only, it does not require regulatory approval to be operational. NetDelta may have found a way to allow bilateral OTC CDS trading to continue while allowing trading firms’ books not to overwhelm the financial system.

TRADE RECEIVABLES

MARKET REALITIES AND CHALLENGES

The U.S. economy currently generates a turnover of US\$26 trillion in trade receivables annually, from which about US\$135 billion was factored (i.e., monetized) in 2007.

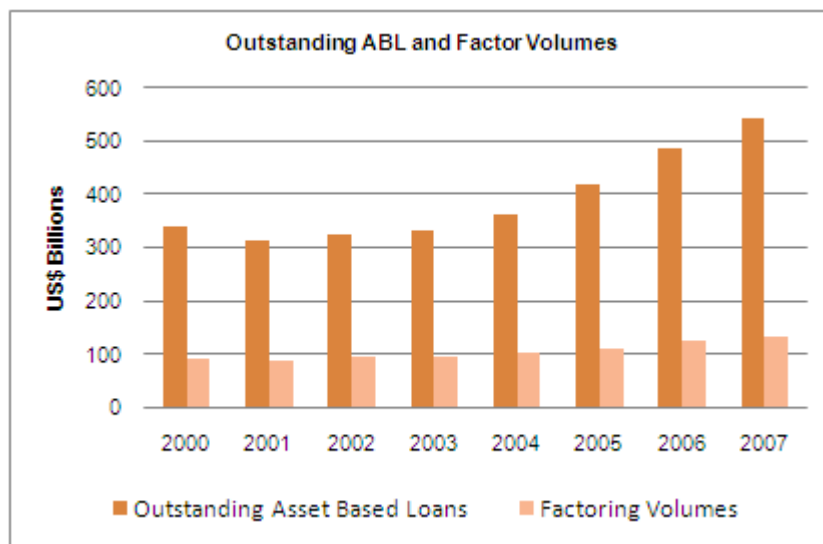
Trade receivables are produced when goods or services are rendered in exchange for deferred monetary compensation over a short-term period (around 45 days). Vendors seeking to monetize their accounts receivables in order to increase their working capital find investors (e.g., historically factoring institutions and banks) willing to provide an advance (discount to invoice amount) for a financing fee. Taking into account such things as returns and allowances for estimated claims, trade receivables can become over-collateralized (credit cushion for investors) to as high as 35%.

Upon payment of the invoice to the vendor, the advance plus the fee will be forwarded to the investor, and the vendor retains any positive residual. This money-market-like product is somewhat analogous to a zero coupon instrument, and it does carry credit risks. Traditionally, this marketplace services the financing needs of small to midsize firms (generally understood to mean those with less than 500 employees).

Figure 6 on page 12 shows the outstanding trade receivables (i.e., asset based loans) and the primary issuance of those trade receivables (i.e., factor) — data as collected from Commercial Finance Association’s 300 member lender firms. In just

the three-year span from 2004 through 2007, outstanding asset-based loan balances increased slightly more than 50% to US\$545 billion.

FIGURE 6: OUTSTANDING ASSET-BASED LENDING AND FACTOR VOLUMES



Source: Commercial Finance Association

The trading of trade receivables is governed by the Uniform Commercial Code (UCC), as trade receivables are considered assets, or property. As a significant — but recent-entrant — buy-side group, hedge funds find trade receivables' first-lien status, expected double-digit annualized and historically uncorrelated (with S&P 500) returns attractive investments. According to HedgeFund.Net, its universe of about 90 or so asset-based lending hedge funds — representing about US\$7 billion in AUM — returned 5.61% year to date October 2008.

The asset-based lending and factoring industry has not escaped the stresses of a weakening U.S. economy, as traditional lenders have voiced concern over getting their own funding. Hedge funds, the new kids on the block, have stepped in to pick up some of the slack.

Morgan Stanley, JPMorgan and Citigroup have committed capital to be early-movers in exploiting this currently fragmented secondary trading marketplace. With many of the current fixed income markets in shambles, fixed income buy- and sell-siders will explore trade receivables as tradable alternatives.

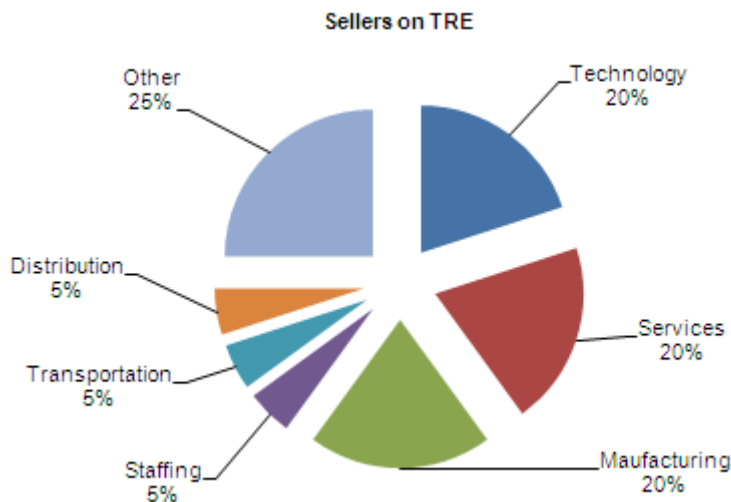
THE RECEIVABLES EXCHANGE (TRE)

The privately held The Receivables Exchange (TRE) operates a Web-based electronic trading platform for trade receivables. It opened in April 2007 and is owned by the New Orleans Exchange. TRE became operational November 2008, and has 40 employees. In February 2009, TRE secured US\$7.75 million in financing from Redpoint Ventures, with reinvestment from Prism Ventures.

TRE facilitates the primary issuance (as opposed to secondary trading) of trade receivables by letting borrowers and lenders negotiate directly with each other through an auction process. Buyers bid anonymously with disclosed liquidity providers who pay about 50 bps per transaction. More specific pricing is credit-based, with riskier trade receivables commanding higher fees — TRE uses what it calls "Z-scores," with higher scores signifying riskier credits. Generally, trade receivables are no more than US\$250,000, but can be as low as US\$10,000. Daily transactions are currently at a modest US\$1 million, with indicative prices of trade receivables ranging from 1.0% to 1.5% discount to face value. Assuming no defaults, this is roughly equivalent to about a 12% return per annum on the high end. So far, the over-collateralization levels of trade receivables on the platform are generally about 20%. Online transaction reports, governed by the Master Program Agreement, are completed via XML electronic handshake or PDF copy.

The 200 sellers — those producing account receivables and wishing to monetize them — are composed of a diverse set of industries (see Figure 7).

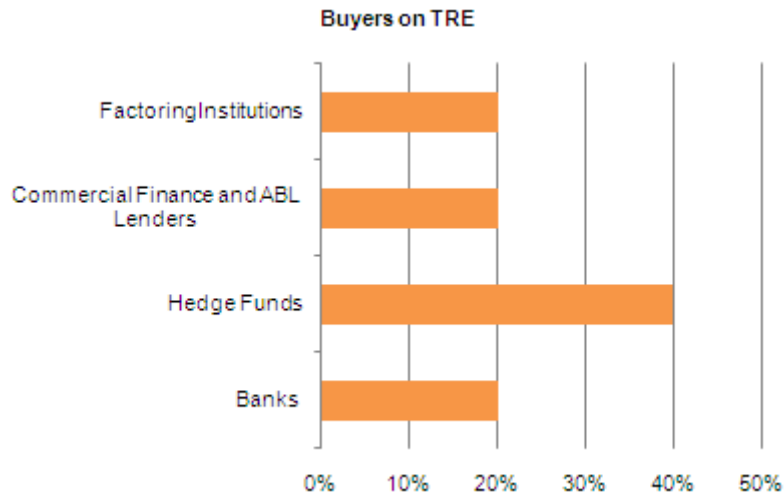
FIGURE 7: PERCENTAGE SELLER TYPES BASED ON NOTIONAL AMOUNTS TRANSACTING ON TRE



Source: The Receivables Exchange

On the flipside of the trade receivables issuance are the 25 buyers (see Figure 8), with hedge funds representing double the participation rate of any of the other respective client types, at 40%.

FIGURE 8: PERCENTAGE BUYER TYPES BASED ON NOTIONAL AMOUNTS TRANSACTING ON TRE



Source: *The Receivables Exchange*

Within the trade receivables space, great attention is paid to the creditworthiness of the borrowers. As such, TRE has struck important partnerships with Ariba and InfoAccess, both of which provide spend management systems for companies. Spend management systems contain accounting data, including information concerning payment histories with client firms. By linking these systems with TRE, sellers are, in effect, opening their receipt/payment histories to potential buyers, who can then determine pricing by way of assessing the invoice's probability of default as well as timeliness of payments.

In this way, if there is enough data, credit gradations can be surmised, which will lead to greater transparency and more efficient pricing. For instance, a buyer may decide that — all else being equal — owning a pricier trade receivable whose account debtor is a triple-A S&P 500 firm is a better investment than owning a trade receivable whose account debtor is, say, a regional grocery chain. In the event that the account debtor becomes delinquent, trade receivables on TRE can be put back to the seller. Depending on the creditworthiness of the seller, this put option serves as a credit cushion for investors.

Depending on the seller, receipt/payment histories can range from three to 10 years. In addition, a dozen third-party credit reports are available on private companies that transact on the platform.

The asset-based lending/factoring industry — a business historically predicated on long-standing relationships — may find that small to midsize firms and newer investors will start choosing the path of least resistance to needed liquidity and investment alternatives on an e-platform whose core strength is seller transparency. These are early days for TRE, but its strategic roadmap already includes exploring Europe and secondary trading as the next areas of development.

CONCLUSIONS

The U.S. financial system is facing risks to consumer solvency, system-wide financial stability and business liquidity. These are profound economic issues, unprecedented in scale, that require more than just business-as-usual approaches.

- By creating the concept of “economic landlords and renters,” a wholly market-based risk/return transfer mechanism is manifest in AeFT’s SwapRentSM product, which bridges the needs of real estate investors and homeowners facing foreclosures without the typical attendant economic and social costs. Furthermore, SwapRentSM has implications beyond the current mortgage crisis as it and its sister products can be used for both consumer and institutional purposes, such as hedging, investment and asset/liability product creation.
- CDS contracts have raised awareness of systemic risk of the entire financial system due to counterparty risk. NetDelta has created an alternative to central clearing, which does not rely on mutualizing risk. Instead, each trading firm on the settlements platform is held responsible for its own performance without the benefits of non-performance found in a central clearing model. As such, systemic risk can be reduced as exposure netting takes place. Furthermore, NetDelta’s daily trading mechanism sidesteps potential risks that can be found when maintaining split or fixed coupons.
- The asset-based lending market has been a relatively quiet sector of the fixed income markets, which historically relied on long-standing relationships between buyers and sellers. TRE provides a shortcut by offering an e-platform for financing-hungry businesses and investors seeking untraditional fixed income products. TRE’s strength is its ability to provide transparency and investor protections for a relatively untapped market.

RELATED AITE GROUP REPORTS

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U.S. Electronic Fixed Income Trading Platforms, September 2008.

The World According to Quants: Enter Alpha Generation Platforms, July 2008.

The Securitization Endgame: ABS Collateralized Debt Obligations, May 2008.

OTC Derivatives Processing: Life on the Edge, April 2008.