

Finance Systems Overview

LEHMAN BROTHERS

LBEX-LL 640927

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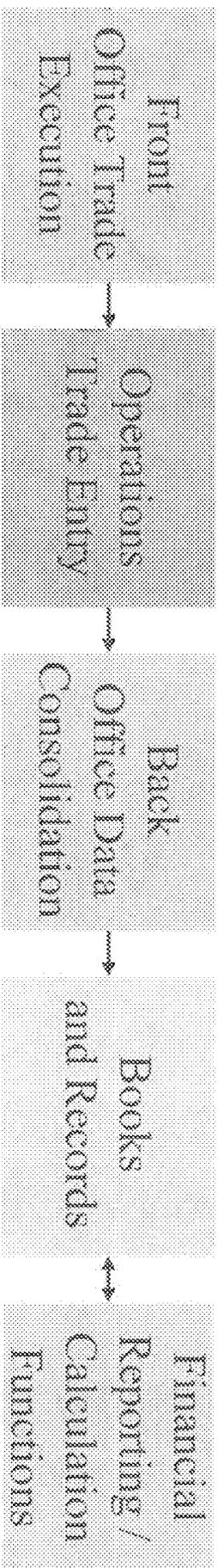
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*The Life of a Trade – Business Process
and Systems Flow*

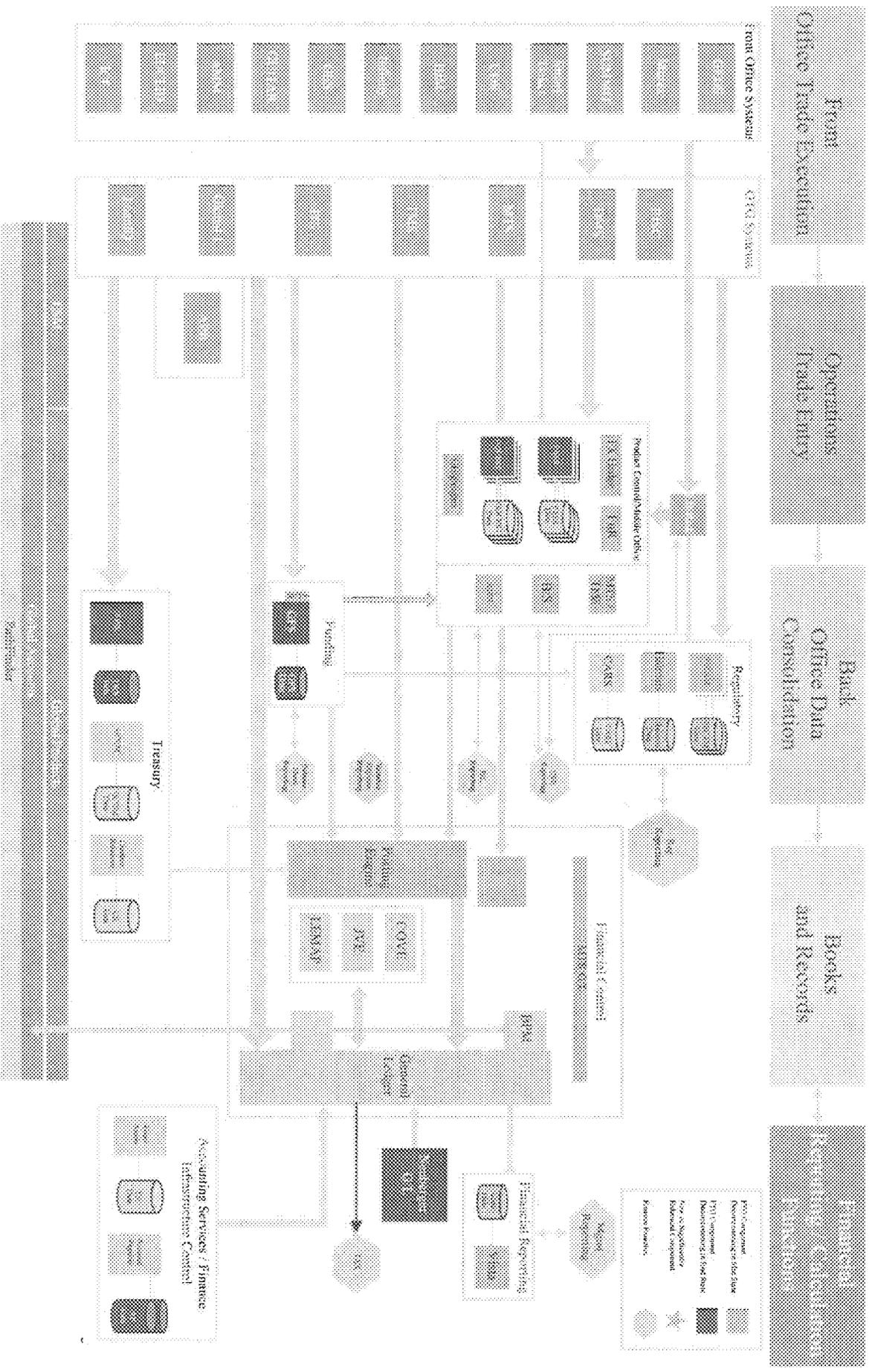
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Life of a Trade – Business Process



Life of a Trade – Systems Review



Finance Systems

Product Control/Middle Office

Systems include

- ◆ G-Quest
- ◆ FX Hedge
- ◆ Fee and Rebate
- ◆ G-Highlights
- ◆ J-Gen
- ◆ YEPS
- ◆ PALS
- ◆ Price Testing
- ◆ GEDS*

Functions

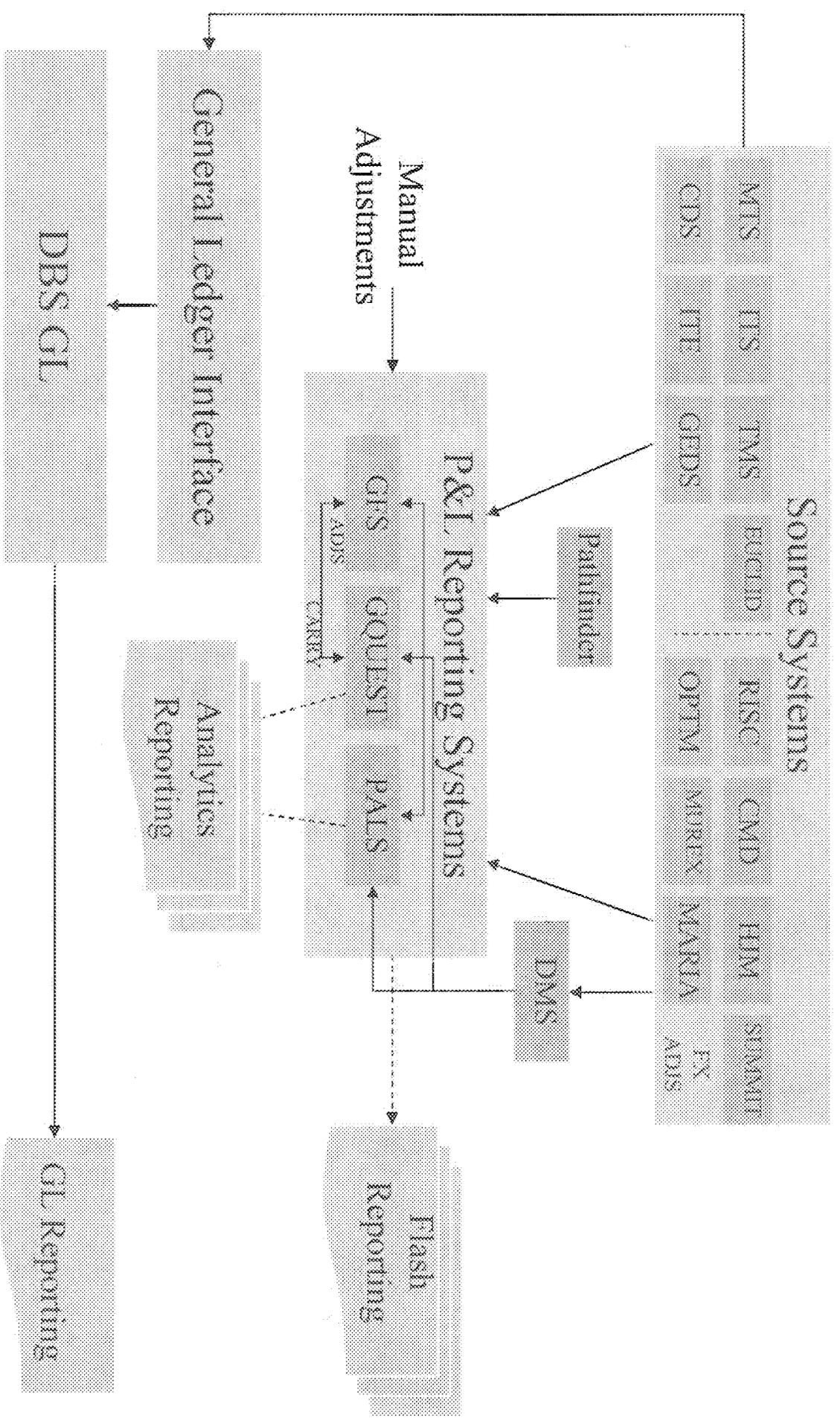
- ◆ **G-Quest** is a global P&L calculator and a global consolidated reporting system. It provides Finance with the ability to report the P&L for FID and Equities, from an individual security level up to a consolidated divisional level
- ◆ **GHighlights** is an actual and estimate system that provides users the ability to report and provide commentary on estimate and actual
- ◆ **PALS** is a global Derivative P&L reporting system that provides daily P&L reporting to financial control users
- ◆ **FX Hedge** provides automated workflow and functionality for initiating and booking FX Hedging transactions
- ◆ **JGEN** is a cash payment journal generation from Summit to ITS
- ◆ **Fee and Rebate** is the P&L system for the Institutional Stock Loan and Financing Business and the Prime Broker Business. The system calculates the current day, backdated and month to date P&L for both the client fees and rebate (per Global 1) and the cost of funds carry charge for stock loans and borrows, poolcash lines and repo transactions
- ◆ **YEPS** is a system that calculates dividend spread P&L on yield enhancement business and provides daily, month-to-date and year-to-date results at trade and position levels as well as a number of control and reconciliation reports
- ◆ **CDS Price Testing** is a system that validates our internally generated valuations against independent sources to ensure the integrity of our external reporting. Used in London and in UAT for New York
- ◆ **GEDS** is the system that calculates P&L for equity volatility business

Primary users

- ◆ Product Control
- ◆ Middle Office
- ◆ Front Office Traders

* Equity Technology System

Systems Flow for Product Control/Middle Office



Funding

Systems include

- ◆ GFS
- ◆ ICB

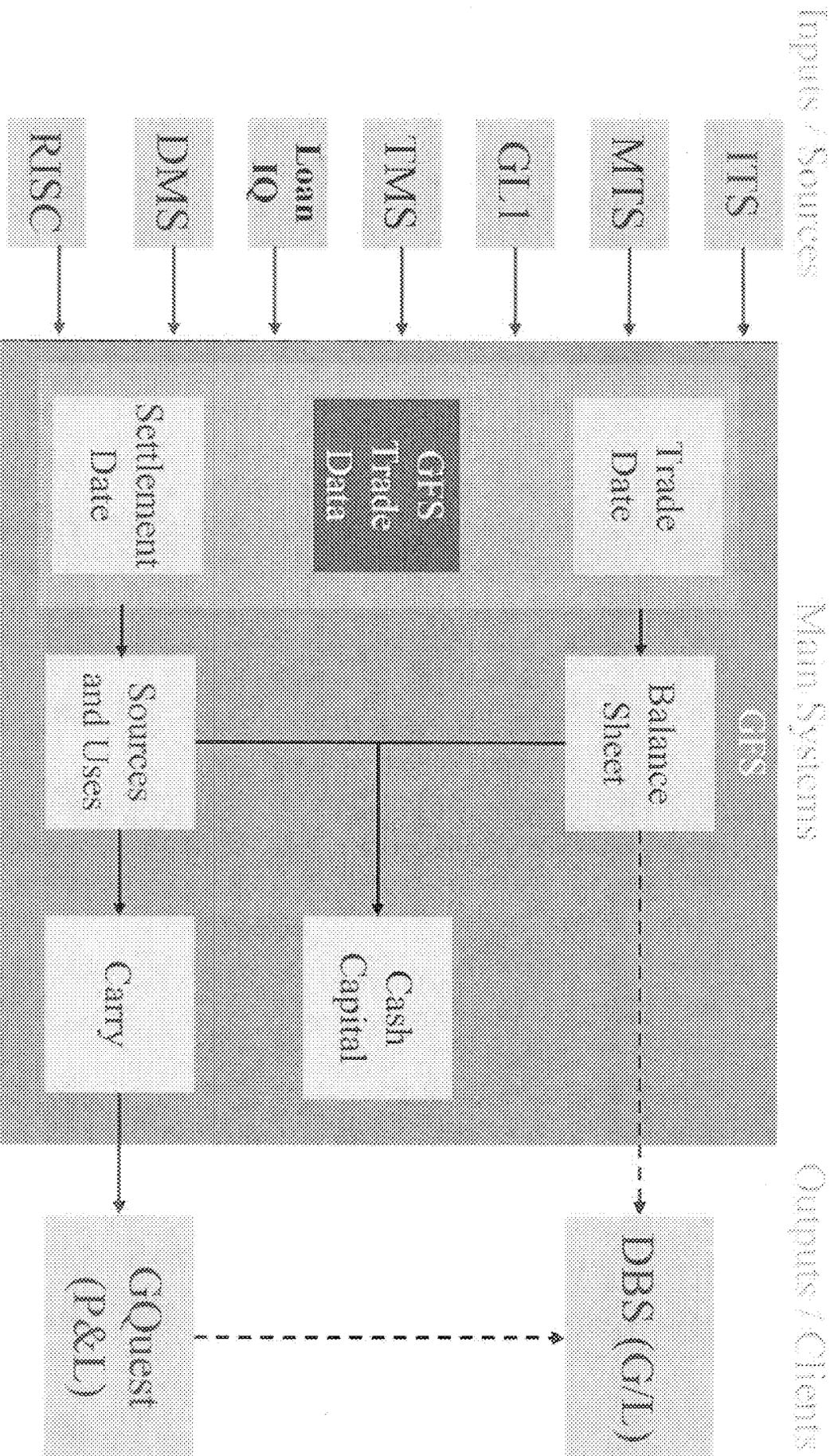
Functions

- ◆ GFS incorporates a consolidation of Account, Position, and Trade level information from multiple Middle Office and Settlement systems across the Firm
- ◆ There are four reporting “Modules” used within the GFS framework broken out by BPM and Legal Entity
 - Carry – Allocation of funding costs
 - Sources and Uses – Allocation of secured financing and identification of unsecured funding requirements
 - Balance Sheet – Statement of capital resources
 - Cash Capital – Calculation and allocation of capital requirements
- ◆ The Intraday CFU Balance Sheet (ICB) application is used by the Fixed Income Funding desk to view and manage the Balance Sheet utilization on an intra-day basis

Primary users

- ◆ Product Control
- ◆ Treasury
- ◆ Balance Sheet Group
- ◆ Legal Entity Controllers
- ◆ Front Office (ICB)

Systems Flow for Funding



Financial Control

Systems include

- ◆ Corporate General Ledger (DBS)
- ◆ Vista
- ◆ FAS123R
- ◆ Hyperion Enterprise (Consolidations)
- ◆ NB GL
- ◆ MTS GL
- ◆ JVE
- ◆ CIAS
- ◆ COVE
- ◆ Posting Engine
- ◆ LEMAP

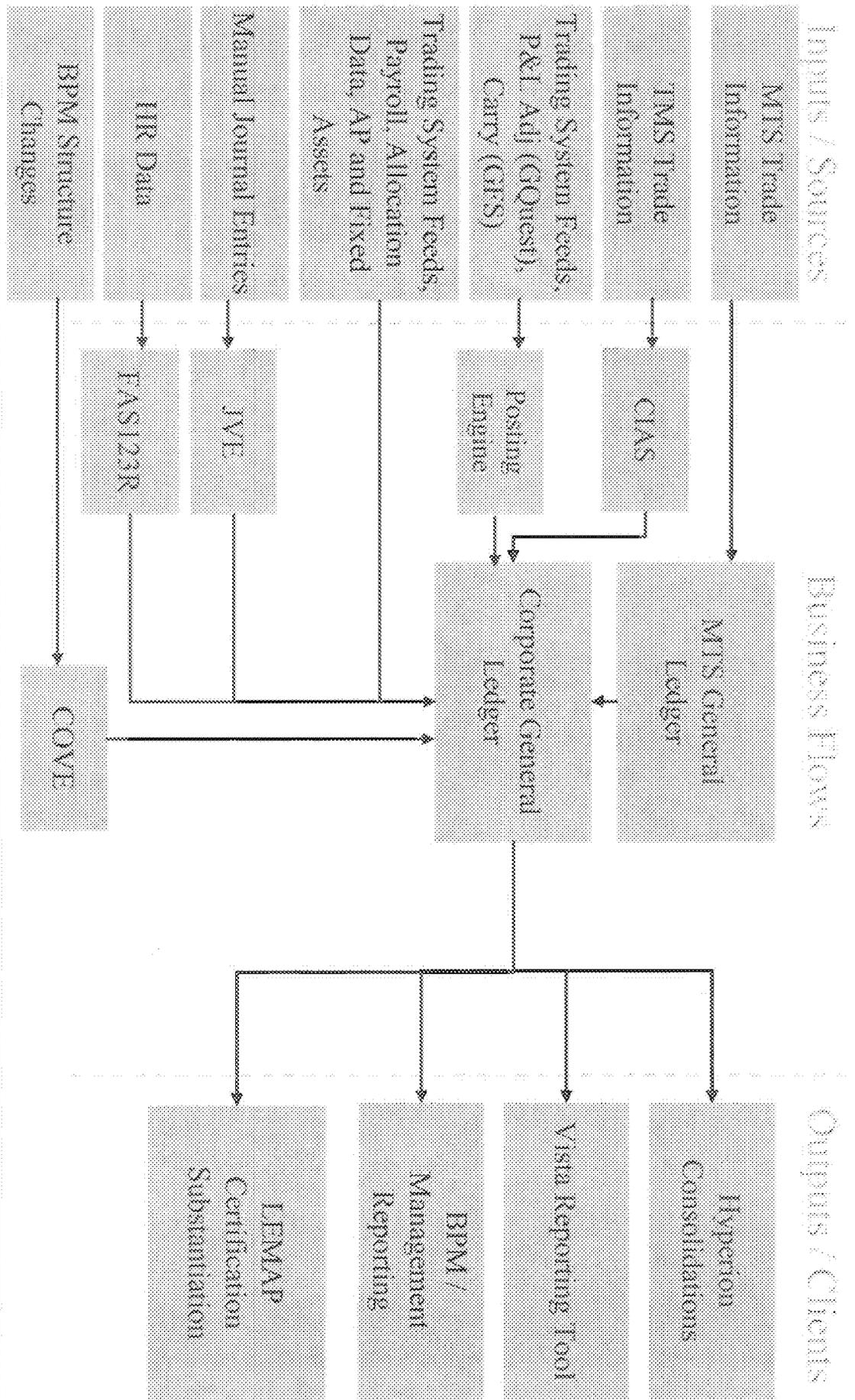
Functions

- ◆ The Corporate General Ledger (DBS) houses all financial data such as Balance Sheet and Profit and Loss balances and transactions as well as some statistical data. As the books and records of the Firm, it is the source for all external and management reporting
- ◆ Hyperion is the balance sheet consolidation system that performs automatic inter-company eliminations and is the source for external reporting. This system receives balances from the Corporate General Ledger
- ◆ JVE is the Journal Validation Engine of all manual journals posted to the General Ledger
- ◆ Vista is an OLAP report writing tool that is launched as an Excel Add-in, which provides financial management reporting or external legal entity reporting
- ◆ NB GL is the subledger for Neuberger Berman that feeds the Corporate GL
- ◆ COVE is the Lehmanlive interface used to submit BPM structure change requests (e.g. management code) which are automatically routed for approval and systematically processed
- ◆ FAS123R is the tool used to estimate the cost of all forms of stock-based compensation
- ◆ MTS GL is the subledger for MTS trades that feeds the Corporate GL
- ◆ The Posting Engine creates 2 sided journal entries into the Corporate GL
- ◆ The LEMAP is a tool to assist LE Controller in completing the financial assertion process (i.e. balance sheet certification and substantiation)
- ◆ CIAS performs closing of journal entries for TMS, automate all levels of reconciliation done by Inventory Control and Middle Office

Primary users

- ◆ Corporate General Ledger (DBS) – All users posting to the General Ledger or providing feeds
 - ◆ Balance Sheet Group
 - ◆ Legal Entity Controllers
 - ◆ Financial Reporting Users
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System Flow for Financial Control



Management Reporting

Systems include

- ◆ BPM
- ◆ SmartStream
- ◆ START
- ◆ Corporate Budget System

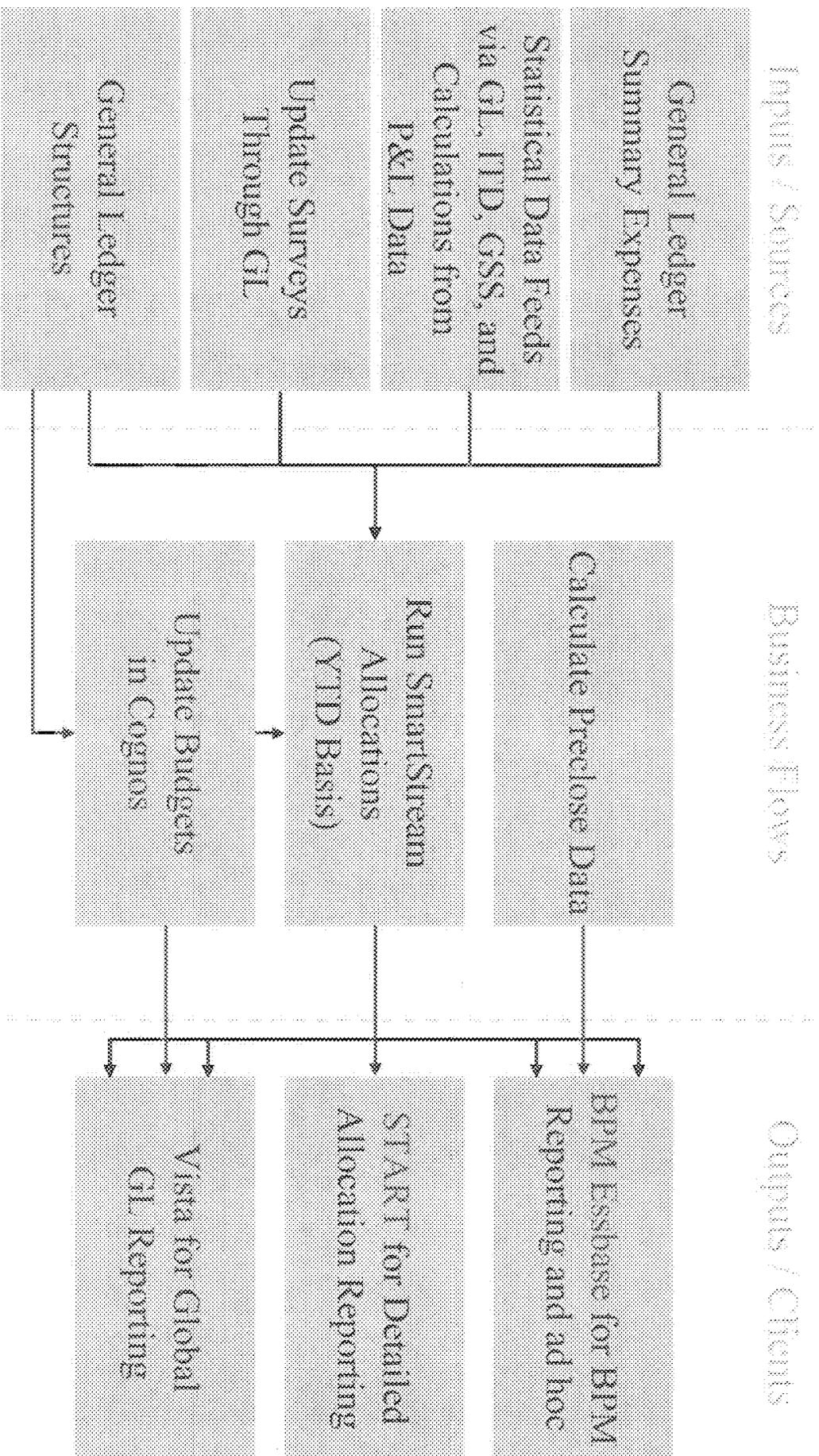
Functions

- ◆ BPM – Business Performance Management, is the management reporting framework, used for monthly P&Ls by product
- ◆ SmartStream is a software tool that Lehman Brothers utilizes to run firm wide BPM cost allocations
- ◆ START – Allocation Reporting Tool, provides details of BPM allocation results and source expense information
- ◆ Corporate Budget System – Server application used to enter, store, consolidate, and then transfer budget data to the Firm's reporting tools

Primary users

- ◆ Management Reporting Group
- ◆ Divisional CFO Groups

Systems Flow for Management Reporting



Regulatory

Systems Include

- ◆ CSE Reg Cap Workbook
- ◆ Haircuts
- ◆ SECAM
- ◆ CARS

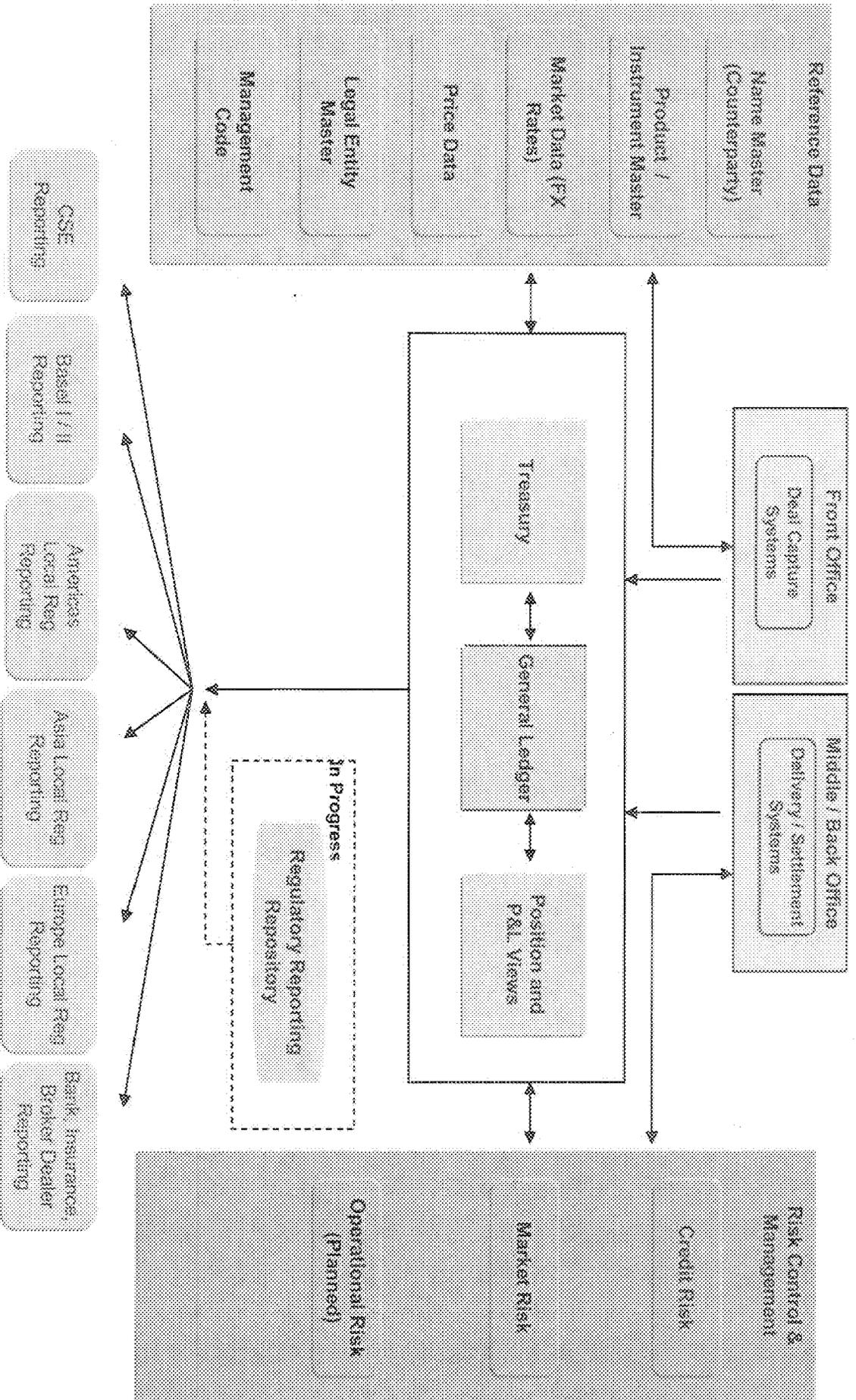
Functions

- ◆ *CSE Reg Cap Workbook* is the application used to compile the monthly CSE report package, which includes the filing with the SEC as well as MIS reports for Senior Management
- ◆ *Haircuts* is an internal system which depicts daily Trade Date inventory from the Mainframe Trading Systems (MTS, TMS, ITS) and calculates certain Capital Deductions (Haircuts) as prescribed under SEC Rule 15c3-1
- ◆ *SECAM* is a Regulatory reporting system detailing Capital Adequacy for the Bank of England and the FSA
- ◆ *CARS* is the Capital Adequacy Regulatory System. It entails the CAD2 & BASEL II project for Finance, which involves switching over to Value-At-Risk model for LBIE Entity regulatory reporting to the Financial Services Authority

Primary users

- ◆ Regulatory Group

Systems Flow for Regulatory



Treasury

Systems include

- ◆ Treasury Workstation (Summit)
- ◆ GCCM
- ◆ Pre-Settlement
- ◆ Cash Positioning
- ◆ Treasury Cash Confirms (TCC)
- ◆ Debt Database (DDB)
- ◆ FAS
- ◆ Network Management Database (NWM)
- ◆ Creditor Relations Database (CRD)
- ◆ Signatories Database
- ◆ ELSIE (Letters of Credit System)
- ◆ CMS
- ◆ Daylight Overdraft Database
- ◆ Cash at Banks Database (CAB)
- ◆ Fee management system

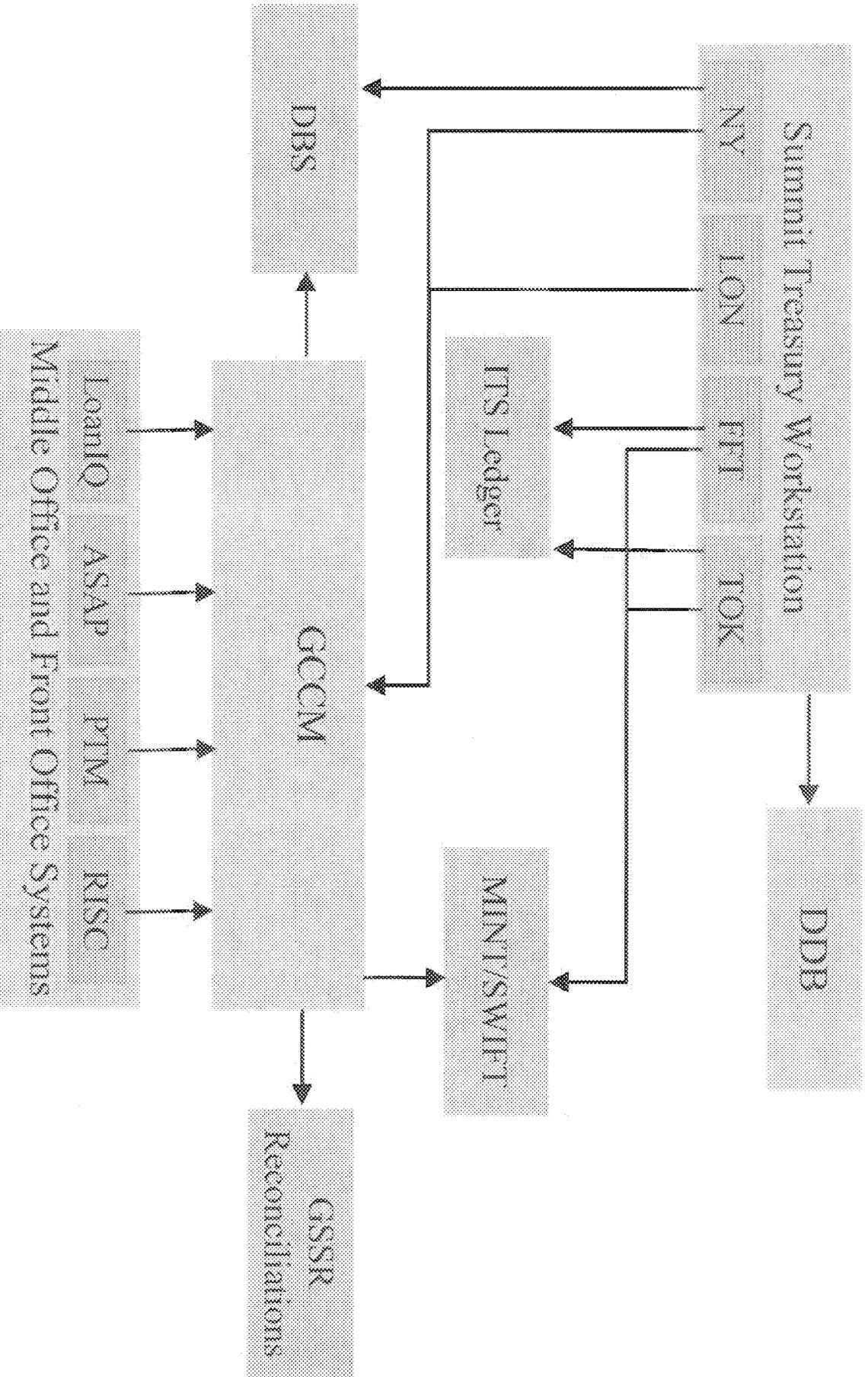
Functions

- ◆ Treasury Workstation (Summit) is a suite of applications to control Firm Funding. It's functions include trade capture, accounting and cash management.
- ◆ GCCM is a centralized gateway for all cash flows to and from the Firm
- ◆ Pre-Settlement is used to approve and release payments to GCCM
- ◆ Cash Positioning is an application used by Treasury for cash flow management
- ◆ The Treasury Cash Confirms (TCC) provides funding requirements and is also used to confirm cash flows with counterparties
- ◆ Debt Database (DDB) is used to report on the Treasury trade population for management, control, regulatory and compliance purposes
- ◆ FAS is used to develop the derivatives accounting and related documentation in compliance with FASB regulations
- ◆ Network Management Database (NWM) provides maintenance of external bank accounts
- ◆ The Creditor Relations Database (CRD) tracks the relationship with our creditors and the corresponding lines of credit
- ◆ The Signatories Database manages the list of people who are authorized to sign documents for the various legal entities on behalf of Lehman Brothers. It also manages the process of approving those signatories.
- ◆ ELSIE (Letters of Credit System) is an application which is used to process and track Letters of Credit
- ◆ CMS is the cash management system used in Asia
- ◆ Daylight Overdraft Database is used for intraday liquidity tracking
- ◆ Cash at Banks Database (CAB) is used to track balance positions at various Lehman bank accounts
- ◆ Fee Management System is used to report and monitor bank fees

Primary users

- ◆ Treasury
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Systems Flow for Treasury



Accounting Services

Systems include

- ◆ Sales Compensation
- ◆ IR Millennium
- ◆ RSU
- ◆ Cougar
- ◆ IMD Portal

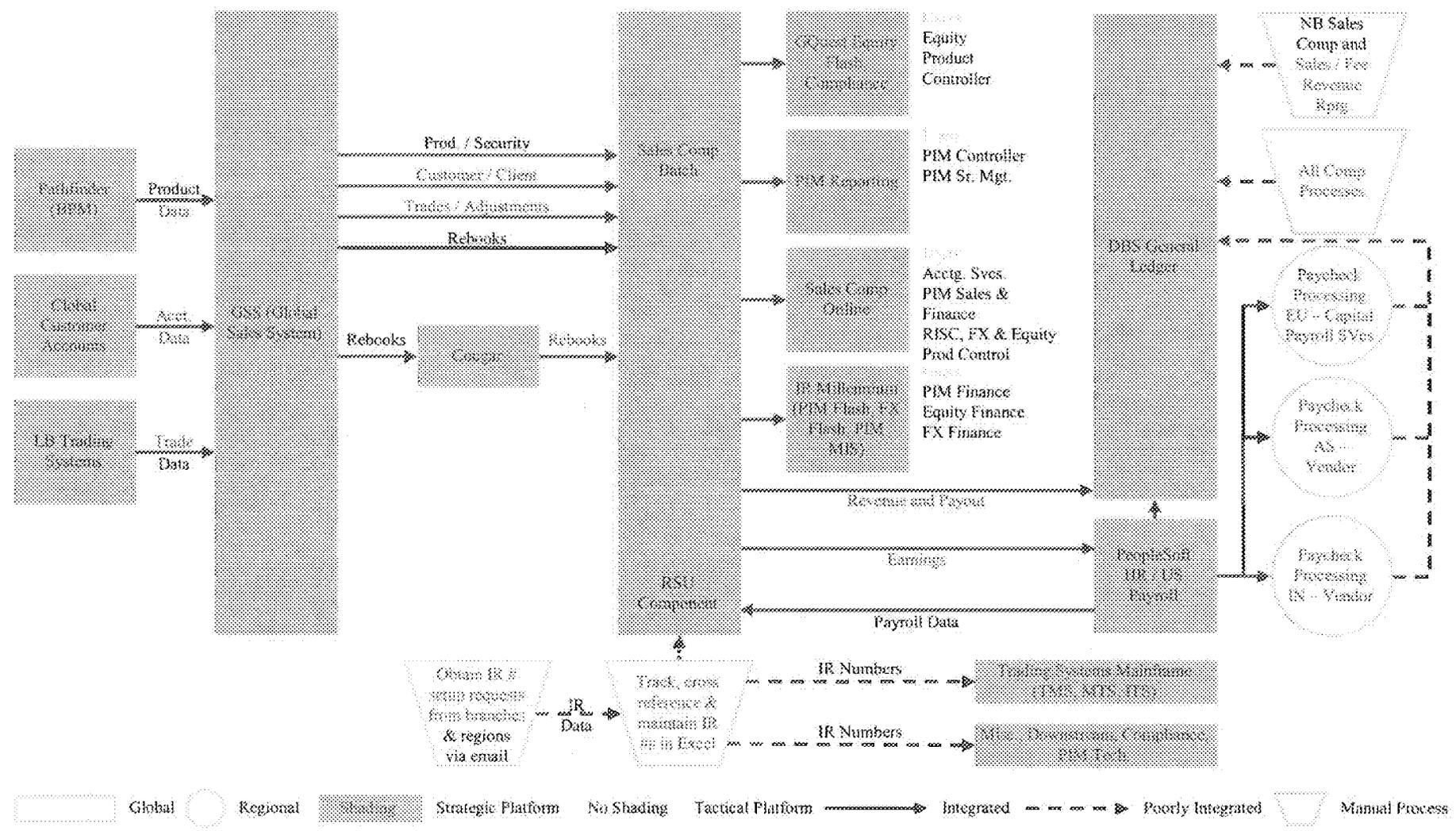
Functions

- ◆ The Sales Compensation system calculates payout and sales credit for Investment Representatives, interfaces revenue and shadow P&L postings to DBS, utilizes IR Millennium to determine allocations to product P&Ls, and includes a set of analytical tools used to manage Investment Representatives compensation, analyze product mix and understand client classifications and penetration
- ◆ The RSU system disburses the payout for the IMD sales force in cash and equity awards
- ◆ Cougar is an equity product coverage system that assigns the BPM products owners to equity commissions
- ◆ The IMD Portal is a Management Reporting and Control tool that reports the retail revenue and expenses to the IMD managers and product controllers

Primary users

- ◆ FID, Equities, IMD, and Risk Product Control Groups
- ◆ Accounting Services Group
- ◆ IMD Branch, Sales and PIM Controller

Systems Flow for Accounting Services



Finance Infrastructure Control

Systems include

- ◆ PeopleSoft Accounts Payable
- ◆ PeopleSoft Fixed Assets
- ◆ PeopleSoft Expenses
- ◆ Expense Analyzer
- ◆ LIAM

Functions

- ◆ **PeopleSoft Accounts Payable** is an integrated AP vendor solution automating invoices, accruals, payments, and GL postings, among other functions.
- ◆ **PeopleSoft Fixed Assets** is an integrated FA vendor solution automating tracking of fixed asset purchases, depreciation and GL postings, among other functions.
- ◆ **PeopleSoft Expenses** is an integrated Travel and Expense (T&E) solution automating logging of expenses and GL postings
- ◆ **Expense Analyzer** is a management reporting tool used to report PeopleSoft expense data to management
- ◆ **LIAM - Lehman invoice approval and management (LIAM) workflow system** is an easy online approval process for payment release to vendors .

Primary users

- ◆ Firm Wide

Tax

Systems include

- ◆ BNA Tax Forms
- ◆ Insource CS and RS
- ◆ Partnership Tracking Tool
- ◆ BNA Fixed Assets
- ◆ Fin 48 Software
- ◆ Document Repository
- ◆ Instant Interest
- ◆ Liquid Engines Web
- ◆ Express RS
- ◆ Tax Bridge Reporting

Functions

- ◆ InSource Remote Server is used to prepare federal, state and local tax returns
- ◆ The BNA Fixed Assets calculates tax depreciation of assets
- ◆ The BNA Tax Forms contains federal and state tax forms, instructions and publications
- ◆ The Fin 48 Software is used to identify tax positions that may need to be recognized for financial accounting purposes in compliance with the Fin48 tax rule
- ◆ The Liquid Engines Web is used to analyze the impact of business and regulatory changes on state tax liabilities
- ◆ The Express RS maintains Neuberger archived tax return for tax years 1999-2003
- ◆ The Tax Bridge captures Energy Trading data at the Transaction level and report on it for Tax purposes
- ◆ Instant Interest is a tax application that determines the Interest used for tax calculations and penalties
- ◆ The Partnership Tracking is a tracking, workflow and calendar tool
- ◆ Document Repository implemented in SharePoint

Primary users

- ◆ Corporate Tax Department
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Systems Flow for Tax

Tax Application Process Flow: Current State

