Set Up Risk Portfolio (W5)

PURPOSE

This document describes how to set up portfolios.

WHY IS THIS IMPORTANT?

Portfolios are mainly used to track the cost of the investments bought/sold, and for investment revaluation purposes. It also can be used as transaction tagging for reporting purposes.

PROCEDURE

1. From the main menu, select Set Up > Risk > Portfolio. The Portfolio main menu is displayed.

2. Click New to create a new portfolio.

3. If you are creating portfolio for transaction tagging use, type in the Short Name and then you may click Save.

4. Approve the newly created portfolio by selecting the checkbox and then click Approve.

5. The portfolio will be approved. You should not see an "N" in the "App?" column.

6. Next, to create a portfolio for investment purposes, click New from the Portfolio main screen.

7. On the New Portfolio screen, enter the short name for the portfolio.
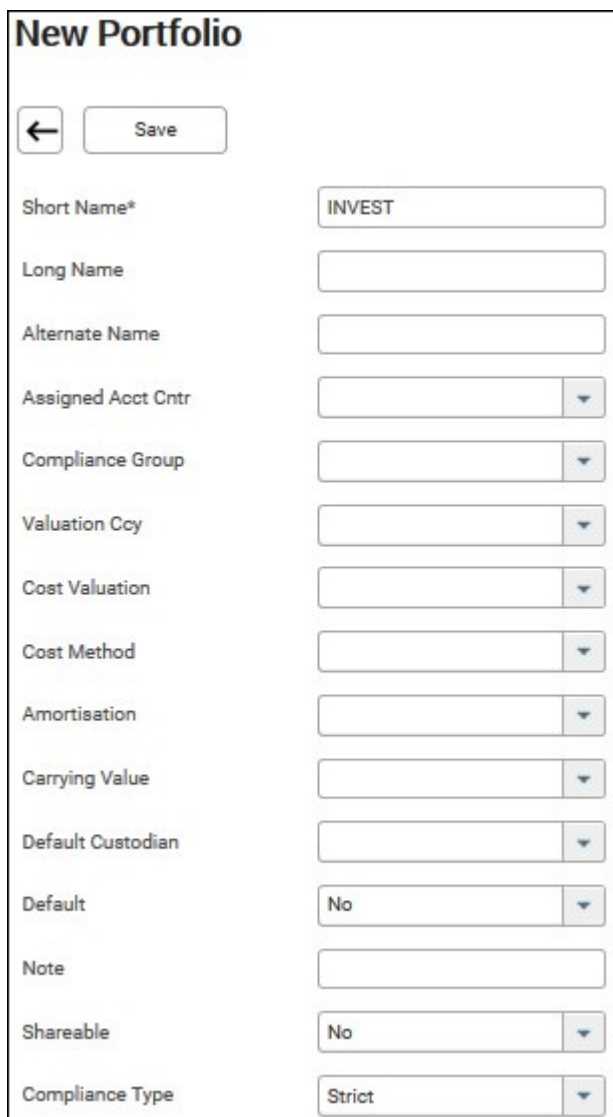
New Portfolio

←	Save	Import

Short Name*	INVEST

| Show Advance |
|---|

8. Then click on Show Advance.

New Portfolio

←	Save

Short Name*	INVEST
Long Name	
Alternate Name	
Assigned Acct Cntr	▼
Compliance Group	▼
Valuation Ccy	▼
Cost Valuation	▼
Cost Method	▼
Amortisation	▼
Carrying Value	▼
Default Custodian	▼
Default	No ▼
Note	
Shareable	No ▼
Compliance Type	Strict ▼

9. Select the Assigned Acct Cntr. This is necessary so that system can accumulate the cost of the investments.

10. Select the Compliance Group to apply for pre-trade compliance check. Leave blank if compliance check is not required.

11. Select the Valuation Ccy for the portfolio.

12. Next, select the Cost Valuation, setting the cost valuation should be on a gross or net amount basis. Gross amount would be investment quantity multiplied by the price, and Net amount would include any other transaction cost.

13. Select the Cost Method. Set this to Average if the cost of investment is at market price. If the cost of investment is amortised cost, set this to FIFO.

14. Select the Amortisation method, to set whether it is straight line or constant yield. This field is only relevant if the Cost Method is FIFO. Ignore this field if the Cost Method is Average.

15. Lastly, select the Carrying Value to set whether trades are at Cost or at Market Value. This field is only relevant if the Cost Method is Average.

16. If there is any default custodian for the particular portfolio, you may specify the default custodian in this field. Leave the field blank if there is no default custodian. If you do not find the desired custodian, please create the custodian under Set Up > Entity > Counterparty. See How to Set Up Entity – Counterparty.

17. Shareable is Yes by default. This allows the portfolio to appear in the Portfolio drop down list when other accounting centre is selected. If you wish to restrict the portfolio in the drop down list by accounting centre, select this to No.

18. Compliance Type is Strict by default. To allow adaptive compliance, set this to "Adaptive" and this allows system to compare compliance result before and after to check if the result alleviates or aggravates or stable (no change). If it alleviates or stable, compliance result will show PASS. If it aggravates, compliance result will show as FAIL. See FAQ below for more details.

New Portfolio

←	Save

Short Name*	INVEST
Long Name	
Alternate Name	
Assigned Acct Cntr	TFS-SG ▾
Compliance Group	▾
Valuation Ccy	SGD ▾
Cost Valuation	Net ▾
Cost Method	FIFO ▾
Amortisation	Constant Yield ▾
Carrying Value	At Market Value ▾
Default Custodian	▾
Default	No ▾
Note	
Shareable	Yes ▾
Compliance Type	Strict ▾

19. When completed, click Save.

20. From the Portfolio main screen, click on the checkbox beside the new portfolio created.

Portfolio

	Refresh	New	Delete	Group	Approve	⬇

	App? ⇕	Short Name ⇕	Gross Net ⇕	Amortisation ⇕	Entity Default ⇕	Assigned Acct Cntr ⇕
✔	N	INVEST	Net	Constant Yield		TFS-SG
☐		DEFAULT	Net	Constant Yield		TFS-SG
☐		HEDGING	Net	Constant Yield		
☐		STRATEGIC-TFS	Net	Constant Yield		TFS-SG

21. Click Approve.

22. To amend, click on the Portfolio short name. The Amend Portfolio screen will be displayed.

Amend Portfolio

Field	Value
← Save	History	Preference	📄	Check Compliance ☐

Short Name*	INVEST
Long Name*	INVEST
Alternate Name*	INVEST
Assigned Acct Cntr	TFS-SG ▼
Valuation Ccy	SGD ▼
Cost Valuation*	Net ▼
Cost Method*	FIFO ▼
Amortisation*	Constant Yield ▼
Carrying Value*	At Market Value ▼
Compliance Group	▼
Default Custodian	▼
Default	No ▼
Note	
Shareable	Yes ▼
Compliance Type	Strict ▼

23. Change the fields as necessary and click Save. Note that if there is an investment trade that booked under the portfolio, the Assigned Acct Cntr, Valuation Ccy, Cost Valuation, Cost Method, Amortisation and Carrying Value are not editable.

24. Once saved, approve the portfolio again on the Portfolio main screen

25. To delete, tick on the checkbox beside the short name. Click Delete.

FREQUENTLY ASKED QUESTIONS

FAQ01. I cannot access the Portfolio screen.

Access rights are needed to access the portfolio module. Please contact

your administrator to obtain rights 10910.

FAQ02. What is the difference between a strict and adaptive pre-trade compliance check?

When a user attempts to book a trade, the system run a compliance check based on the rules to apply for that portfolio. The check will determine the risk exposure before and after the trade.

Strict and adaptive compliance check setting is used to determine how the system should interpret the test results.

Strict

Under a strict compliance check setting, only the "after" result is used to determine whether the check passes or fails.

Example:

Limit = 50% max

	Before	After
Exposure	40%	70%
Result	Pass	Fail
Overall	FAIL	

Adaptive

Under an adaptive compliance check setting, the overall result is determined in two stages:

i) Whether post trade pass or fail,

ii) If i) fails, then it tests whether the post trade aggravates or alleviate the exposure. If it aggravates, the fail status remains. But if it alleviates the exposure then the test is deemed to pass.

Example 2A

Limit = 50% max

	Before	After
Exposure	40%	70%
Result	Pass	Fail
Overall	FAIL (Aggravate)	

Limit = 50% max

	Before	After
Exposure	80%	70%
Result	Fail	Fail
Overall	PASS (Alleviate)	

Limit = 50% max

	Before	After
Exposure	80%	80%
Result	Fail	Fail
Overall	PASS (Alleviate)	

Limit = 50% **MIN**

	Before	After
Exposure	40%	45%
Result	Fail	Fail
Overall	PASS (Alleviate)	

Limit = 50% **MIN**

	Before	After
Exposure	40%	40%
Result	Fail	Fail
Overall	PASS (Alleviate)	

Limit = 50% **MIN**

	Before	After
Exposure	40%	35%
Result	Fail	Fail
Overall	FAIL (Aggravate)	

An adaptive test has the advantage of providing flexibility in managing pre-existing or technical compliance breach.

FAQ03. How to exclude accruals in the compliance check?

Accruals in the compliance check can be excluded by setting "Exclude Accruals for Compliance Check" to Yes in the Portfolio Preference screen.

See [Portfolio Preference Set Up](#).

RELATED INFORMATION

[Create and Amend Investment](#)

[How to Set Up MMF with ICD Integration](#)

[Compliance](#)

[Portfolio Preference Set Up](#)

CHANGE HISTORY

Date	By	Changes
15-Feb-2008	-	Created
22-Mar-2016	Clarissa	Rewritten. Reformatted.
12-Jun-2016	Douglas	Proofread.
13-Apr-2017	Clarissa	Added Related Information.
24-Apr-2017	TS	Updated instructions for Shareable, Compliance Type and FAQ02.
11-May-2017	TS	Added FAQ03 and linked Portfolio Preference Set Up in Related Information.
15-Nov-2018	Lyra	Updated Screenshots.