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## ***STATEMENT ON BEST PRACTICES GUIDELINES FOR USING CONTRACT COMPARE***

Contract Compare is one of the key control tools available to lenders and borrowers to mitigate risk in the securities lending environment. Actively managed, daily compare and exception resolution will eliminate billing breaks, reduce the potential for discrepancies on corporate actions, substitute payments for entitlements, and mitigate loan settlement issues.

The following guidelines should be used by all borrowers and lenders as best practice for contract compare:

- All open loans, non-cash collateral and cash pool balances non-cash collateral and cash pool balances should be compared on a daily basis
- The data elements on the matrix attached define mandatory and optional fields for compare. Use of optional fields should be bilaterally agreed.
- Lenders and borrowers will work to resolve contract compare breaks the same day that they are identified such that no breaks are outstanding more than one day.
- Pending Loans and returns that that do not settle on trade date should be compared from the day they are negotiated.
- The responsible party creating an exception should be responsible for it's resolution.



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## OPEN LOAN COMPARE MATRIX

Compare Criteria	Definition			
Asset Class		Equities	Corporate Bonds	US Treasuries
Compare Date	Date that the compare is effective	M	M	M
Lender Identification	Code that identifies the Lender	M	M	M
Borrower Identification	Code that identifies the Borrower	M	M	M
Quantity	The quantity of securities on loan	M	M	M
Asset ID Type	Sedol, CUSIP, ISIN	M	M	M
Asset ID	Code to identify the loaned securities	M	M	M
Loan Settle Date	Settlement date of loan	O	O	O
Loan Trade Date	Date loan is negotiated	O	O	O
Loan Prepay Date	Date loan collateral is collected	O	O	O
Loan Value	Current loan value (Value used for billing purposes)	M	M	M
Billing Currency	Currency of fee or rebate	M	M	M
Rebate Rate/Fee	Current rebate/fee % rate	M	M	M
Billing Margin	Rate used to calculate billing value	O	O	O
Collateral Margin	Rate used to calculate collateral value	O	O	O
Collateral Type	Cash/Triparty/Non Cash Bilateral/Cash Pool/DBV/Other	M	M	M
Accrual Basis	Basis used to calculate fees	O	O	O
Mark Rounding Factor	Factor used to calculate mark prices.	O	O	O
Accrued Interest	Interest amount accrued on the loan	NA	O	O
Tax Voucher	Dividends paid with Voucher	O	O	O
Accrued Rebate/Fees	Unpaid rebate or fees accrued on the loan	O	O	M
Dividend Rate	Net payable on substitute payments on the loan	O	NA	NA
Term Date	Agreed upon termination date on the loan	O	O	O
Settlement Agent	Where loan will settle	O	O	O
Trade Reference	Unique Loan Reference	O	O	O

Legend M = Mandatory, O = Optional

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## Pending Loan/Return Compare Matrix

Compare Criteria	Definition		
Loan Type		Loans	Returns
Compare Date	Date that the compare is effective	M	M
Lender Identification	Code that identifies the Lender	M	M
Borrower Identification	Code that identifies the Borrower	M	M
Quantity	The quantity of securities on loan	M	M
Asset ID Type	Sedol, CUSIP, ISIN	M	M
Asset ID	Code to identify the loaned securities	M	M
Loan (Return) Settle Date	Settlement date of loan (return)	M	M
Loan (Return) Trade Date	Date loan is negotiated / return is called in	O	O
Loan Prepay Date	Date loan collateral is collected	O	NA
Loan (Return) Value	Current loan (return) value	M	O
Billing Currency	Currency of loan collateral	M	M
Rebate Rate/Fee	Current rebate/fee % rate	M	M
Billing Margin	Rate used to calculate billing value	O	O
Collateral Margin	Rate used to calculate collateral value	O	O
Collateral Type	Triparty/Non Cash Bilateral/Cash Pool/DBV/ Cash	M	M
Recall	Is Pending Return a Recall Item	NA	O
Mark Rounding Factor	Factor used to calculate mark prices.	O	O
Accrued Interest	Interest amount accrued on the loan	NA	O
Tax Voucher	Dividends paid with Voucher	O	O
Accrual Basis	Basis used to calculate fees	O	O
Dividend Rate	Net payable on substitute payments on the loan	O	O
Term Date	Agreed upon termination date on the loan	O	O
Settlement Agent	Where loan (return) will settle	O	O
Trade Reference	Unique Loan Reference	O	O

Legend M = Mandatory, O = Optional

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**Contract Compare on collateral**

Contract Compare	Non-cash	Cashpool*	DBV**
Collateral Type	M	M	M
Compare Date	M	M	M
Lender Identification	M	M	M
Borrower Identification	M	M	M
Quantity	M	M	NA
Currency	O	M	M
Asset ID Type	M	M	NA
Asset ID	M	M	NA
TD	O	NA	O
SD	O	NA	O
Value	O	NA	M
Fee / Rebate	NA	M	NA
Accrued Interest	NA	NA	NA
Dividend Rate (MIR)	O	NA	NA
Tax Rate	O	NA	NA
Term Date	O	O	NA
Trade Reference	O	O	O
Haircuts	O	NA	O

\* Rebate collateral values and currency should be included on the original borrow

\*\* DBV Quantity and Value - should shapes of underlying trades be compared or just the original DBV value - This would also effect if div / tax rates etc are included in the rec



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## ISLA Best Practice Metrics Contract Compare

To be produced by the respective vendors on a quarterly basis covering the preceding 3 month period.

Anonymity to be preserved with simply the relevant counterparty's identity being shown alongside counterparties A, B, C etc.

### **1.Number of Breaks by % of volumes**

By counterparty

Total number of records compared

Total number of breaks

By Break Type – Div Rate, Fee, Rate, Quantity, Collateral Type and Unmatched/Orphan

### **2.Break Resolution Analysis**

By counterparty

Total number of records compared

By Break Type – as above across age-bands – **1-3, 4-11, 11-30, 30+ days**

Number of breaks assigned to My Firm to resolve i.e. "Match Cpty"

Number of breaks assigned to Cpty to resolve i.e. "Cpty to match"