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CUSTOMER INFORMATION

much-net AG will provide outsourcing services to the Ministry of Finance of the German State “Saxony-Anhalt”

much-net AG won the Europe-wide open tender for the following services to be rendered to the Ministry of Finance of the German State Saxony-Anhalt: Interest hedging, interest management and interest reduction for the overall portfolio, particularly the derivatives portfolio.

The state Saxony-Anhalt has always employed a broad range of capital market instruments.

Since the turn of the millennium, derivatives have been and are currently being used specifically for interest hedging, management and reduction purposes.

The Ministry of Finance has tried to find a service provider who offers a web-based software solution that meets auditing acceptability requirements for the evaluation, risk management and risk control of capital market transactions, especially derivative transactions in this case, and who also provides corresponding data maintenance services.

The State of Saxony-Anhalt currently services approx. 500 open credits (at a fixed, floating or structured interest rate) with a life ranging from one month to 30 years. The derivative holdings encompass approx. 250 derivative contracts with a notional volume of 6.7 billion EUR and terms between one month and 30 years.

much-net AG will use its standard finance software **PMS** (Portfolio and Risk Management System) to provide the following outsourcing services to the Finance Ministry of Saxony-Anhalt:

- ⇒ evaluation, risk management and control assistance for managing, measuring and monitoring risk positions in the derivatives portfolio based on continuous calculations, stress tests, reports and holdings maintenance;
- ⇒ deterministic payment flow simulations and simulations of fictitious changes in the holdings to reduce interest payments for derivatives;
- ⇒ supply of predefined and aggregated reports that follow different hierarchical criteria;
- ⇒ calculation of market values or credit equivalent amounts for entire derivative holdings;
- ⇒ efficiency measurement of micro and macro hedges.

This project is scheduled to last five years, and there are present considerations to also collaborate with regard to other topics like the liquidity management for instance.



SACHSEN-ANHALT
Ministerium der Finanzen

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