

Step By Step Set-Up Checklist Asset Swap Receive Fixed, Pay Floating

This document includes step by step set-up instructions for adding a Receive Fixed, Pay Floating Asset Swap, to Financial Compass.

If you have questions or need additional help with this process, please call Compass Support at 800 323-3281 or e-mail support@plansmith.com.

Step 1. Set-Up:



☐ Click the Projections Icon on Navigation Tool Bar. Look for an existing empty folder in the Asset section of the balance sheet.

If you can't find an empty folder, call, or e-mail Plansmith support and someone will help you add a new folder.

☐ Right click the name of the new or empty folder and select "Rename". Enter a short description of the hedge like "Receive Fixed Pay Floating" and click "OK".

☐ Right click the folder again and choose "Add Account".

☐ The Account Wizard will ask for the Account Name. Enter a name that is different than any other name in the Compass chart of accounts. Then click Next.

☐ Click Next on the cost factor showing "0".

☐ Select "Interest Bearing" then click Next.

☐ Click Next on the Alternate Discount Rate showing "None".

☐ Click Next on the RBC Factor showing "0".

☐ Select the "Interest Payment Frequency" for your contract, then click next.

☐ Click Next on "Taxable".

☐ Choose the "Interest Basis" for your contract, then click next.

☐ Change "Part of a Hedge" to "Yes", then click next.

☐ Click next on "Maturing".

☐ Click next on "Fixed".

☐ Enter time to Maturity as the number of months in the Contract.

☐ Click Next.

- ☐ Click Next on “Non-Amortizing”.
- ☐ Click “OK” to complete the wizard.
- ☐ Right click the folder again and choose “Add Account”.
- ☐ Enter The same name as the account you just created plus “Contra” as the Account Name, then click Next.
- ☐ Click Next on the cost factor showing “0”.
- ☐ Select “Interest Bearing” then click Next.
- ☐ Click Next on the Alternate Discount Rate showing “None”.
- ☐ Click Next on the RBC Factor showing “0”.
- ☐ Select the “Interest Payment Frequency” for your contract, then click next.
- ☐ Click Next on “Taxable”.
- ☐ Choose the “Interest Basis” for your contract, then click next.
- ☐ Change “Part of a Hedge” to “Yes”, then click next.
- ☐ Change “Maturing” to “Non-Maturing”
- ☐ Click Next on the Decay Rate showing “No”.
- ☐ Right click the folder again and choose “Add Account”.
- ☐ Click “OK” to complete the wizard.

Now we are ready to enter the notional amount.

Step 2: Balance Entry:

The notional balance for this swap type normally remains constant over the life of the hedge. Enter It as a negative number in the “Contra” Account and a positive amount in the other account. That results in a zero balance in the Folder. Should you have a contract providing for amortization of the notional amount, contact Plansmith for assistance.

The balance entry method depends upon when the contract starts.

If the contract began before the first month of projections:



- ☐ Enter the notional balances in Update Financial area of Compass.



- ☐ Return to the Projections area of Compass and open the Maturities tab for the positive balance account and enter the notional amount in the Scheduled Maturities Column in the month that the contract expires, as well as the Fixed Rate in the Scheduled Maturities Xrate Column.

This entry may create a “red flag” which we will clear when we enter pricing information

If the contract starts in the current or future month:

- ☐ Enter the balances in the EOM Balance column for the month the contract begins.

This entry will create a “red flag” which we will clear when we enter pricing information in the next step.

- ☐ Scroll down to the month of the expiry date and verify that the end of month balance is zero. If not, right click the Contra account name in the chart of accounts, choose Edit Properties and change the term to the correct number of months.

- ☐ Open the Contra Account and enter the notional amount as a negative number in the EOM balance column for the month the contract begins.

- ☐ Then scroll down to the month that the contract expires enter the notional amount as a positive number in the New Balance column for that month.

Step 3: Pricing:

Return to the Projections view of the Contra account (with the negative balance).

This negative balance account has a floating rate, so add a pricing model to adjust projected income when the rate forecast changes.

- ☐ Click the button at the top of the Offering Rate Column.

☐ Select "Quick Model"

☐ Change the Driver to the Index used in your contract, usually SOFR.

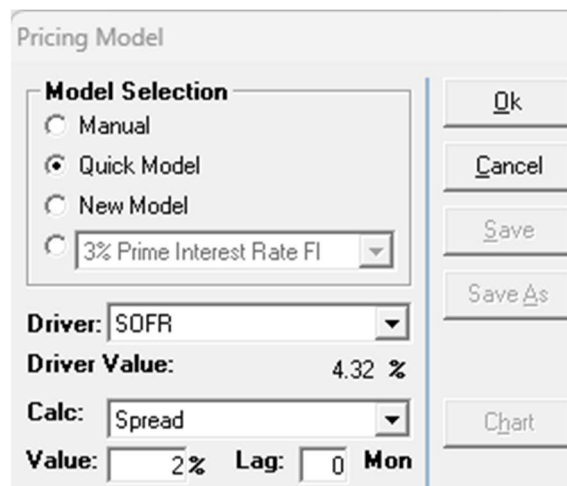
☐ "Calc:" becomes "Spread".

☐ The "Value" entered is the Spread above or below (-) the index specified in your contract.

☐ Click "OK and note that the Button above the Offering Rate Column now reads "Quick".

☐ Switch back to the Projections tab for the Positive account.

☐ If this swap began before the first month of projections, enter the fixed rate in the EOM Yield Box.



The "Pricing Model" dialog box is shown. It has a "Model Selection" section with radio buttons for "Manual", "Quick Model" (selected), "New Model", and a dropdown for "3% Prime Interest Rate FI". Below this, "Driver:" is set to "SOFR", "Driver Value:" is "4.32 %", "Calc:" is set to "Spread", "Value:" is "2 %", "Lag:" is "0", and "Mon" is selected. On the right, there are buttons for "Ok", "Cancel", "Save", "Save As", and "Chart".

☐ This account has a fixed rate, so verify that the button label above the offering rate is "Manual".

☐ Highlight all the cells in the offering rate column from the first month of projections through the month that the EOM Balance goes to zero.

☐ Right click anywhere in the highlighted range and select "Quick Edit", Select Constant, enter the contract rate (6.21% in our example) in the Constant box, then "OK".

Now the cost of the swap appears and the Red Flag is cleared.



☐ At this point, you can Compute the Plan to update all financial reports.



☐ Compute Rate Shock to update all Rate Risk reports.

EOM Yield:
6.21

Offering Rate
Manual
Offering Rate
Manual
6.21
6.21
6.21
6.21
6.21
6.21
6.21

click

Monthly Update Procedures:

Swap and Hedge notional amounts (or balances) are often not available in Financial Institution general ledger systems. These amounts normally do not change over the life of the contract, so most Compass users simply update these amounts manually each month on the Update Financial screen. If your Institution posts income/expense monthly to the GL, you can import them

automatically by adding the accounts in DataBridge. If not, enter the income/expense values manually as well.

Rate Shocked EVE:

The EVE calculations in Financial Compass use a single discount factor rather than an array of discount factors over the life of the instrument typically used by investment bankers. To maintain consistency with those results, you may obtain updated Shocked EVE valuations of each swap or hedge contact directly from your Investment Accounting provider or broker each time you prepare an EVE analysis.