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Triple Point Debuts Hedge Accounting Solution; Acquires INSSINC

Triple Point Technology (TPT) has launched a new suite of treasury management and regulatory compliance solutions in the wake of its just-announced acquisition of Investment Support Systems Inc. (INSSINC). The deal allows TPT to integrate hedge accounting for derivatives directly into its Commodity XL trading and risk management platform. The new module Commodity XL for Hedge Accounting rolled out this week and a second product will debut in a few weeks.

If you're not familiar with INSSINC, it's a well-regarded New York metro treasury and risk management software outfit with a flagship product, Futrak, that offers transaction processing and accounting support for energy and commodity derivatives. Offered in-house or on the Web, Futrak helps optimize trade captures and valuations and – the key here – facilitate financial reporting. Separate modules make it easy to meet compliance requirements for FAS 133 and its ilk. The company's client list includes major energy players like Southern Company, Ameren, PPL, PacifiCorp, Suez Energy, TransAlta and Scottish Power, as well as big commodity users like Campbell Soup Company and J.M Smucker. In North America and Europe (there's a London office), INSSINC serves about 60 customers. Its 45 employees are all shifting over to TPT in the acquisition.

The acquisition of INSSINC and the new hedge accounting module was customer-driven, TPT chief marketing officer Michael Schwartz tells us. Regulatory risk is pretty high on the list for most energy companies, and TPT's clients continue to press for help on hedge account-

ing treatment under Sarbanes-Oxley, FAS 133 and the range of similar regulations in other countries, such as IAS 39 in Europe, CICA 3865 in Canada, SAS 133 in South Africa and AASB 139 in Australia.

"Our clients put hedges in place for economic reasons, to control their cash and manage their margins, but to not get hedge treatment under these stringent regulatory requirements on the reporting side creates huge risks," Schwartz says. Companies want to provide accurate P&L forecasts and achieve earnings growth for their investors. They're pushed to hedge by the volatility of derivatives, which can create dramatic earnings fluctuations from quarter to quarter and put market value or management reputation at risk.

On the reporting side, many companies that use spreadsheets to meet regulatory requirements for hedge accounting know that creates an audit exposure, Schwartz says.

But now INSSINC's hedge accounting technology will be fully integrated into Commodity XL, so when a hedge is entered it automatically flows through to the hedge accounting module. "It eliminates all those audit risks," he says.

The acquisition also gives TPT a new key differentiator. While there are other hedge accounting solutions out there, Schwartz says TPT's competitors in this space don't offer them. "We've always helped people on the economic side manage their exposure and risk. This brings it full circle and lets us help our clients manage the regulatory side in hedging," he says. "It definitely separates us from the rest of the field in hedge accounting."

Schwartz says both companies realize there's a lot more value in the market if they work together. "The integrated value of being able to handle both the economic side around hedging and then the regulatory side is what people need. We've just been hearing it so much from customers and prospects that we know it's the right time and the right solution."

In addition to oil, gas and utilities, TPT does have customers in the ag, metals, mining and consumer packaged goods sectors. And Schwartz says he is seeing a growing demand for these kinds of risk management products from these non-energy, "nontraditional commodity companies," Schwartz says.

"We see that as a tremendous growth area for Triple Point," he says. "Just from the higher food and energy prices, companies that use commodities as inputs to other products but have never been considered commodities companies – they buy a lot of grain or use a lot of energy to run their plant – are becoming very interested in software like ours. Because unless they manage that part of their business much better, their margins are under tremendous pressure right now."

For more information, go to www.tpt.com or contact Schwartz at MichaelS@tpt.com.