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**BRACING FOR REGULATORY CHANGE:
WHAT INVESTMENT PROFESSIONALS NEED TO DO NOW**

Second edition of Crossings, Sapient's Journal of Trading and Risk Management, covers range of issues from collateralized loan obligations to central clearing and wealth management

BOSTON – March 1, 2010 – [Sapient Global Markets](#), a division of [Sapient](#) (NASDAQ: SAPE), today published a series of articles shedding light on issues in the evolving financial and commodity markets. *Crossings, the Sapient Journal of Trading and Risk Management*, also recommends steps that financial and commodity market leaders can take to thrive in an increasingly controlled environment. The latest edition of this bi-annual journal is available for download at: <http://www.sapientglobalmarkets.com>.

"No one knows for sure how long it will take for the economy to fully recover from the events in 2008-2009," writes Chip Register, executive vice president and managing director of Sapient Global Markets, in the introduction to *Crossings*. "Yet transaction volumes in most asset classes recovered somewhat faster than expected. Therefore, the investment community needs to focus on improving processes, technology and systems that support trading in our new, controlled environment. We intend for *Crossings* to be a helpful tool for investment professionals as they gear up for forthcoming regulations."

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Key observations and recommendations in *Crossings*:

Collateralized Loan Obligations (CLOs)

1. Observation: The leveraged loan market faces enormous stress during the coming peak refinancing years of 2011 to 2014; default rates are rising while demand is weakening for CLOs.
2. Recommendation: Investment firms need to move away from manual systems in the syndicated loan market. It is time to evaluate processes, technology, controls, and reporting. Industry standards must evolve to cope with the strains created by a lack of CLO demand in the coming years. Market players need to make urgent operational improvements in 2010 to minimize refinancing pain.

Over-the-Counter (OTC) Derivatives

1. Observation: Regulators are reforming OTC derivatives markets. Firms will be required to use central counterparties (CCPs) to clear standard contracts and report all trades to official repositories.
2. Recommendation: Banks are advised to enhance their IT systems and to rethink business processes to cope with these changes. Firms will also need to eliminate some workarounds, commonly used in the past to counteract the shortcomings of banks' own IT systems. Moving forward, workarounds could affect adversely the trade-matching process within MarkitSERV, the gateway for OTC derivative trade processing.

Profit and Loss (PNL) Explain



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1. Observation: Commodity trading organizations have seen significant reductions in their operating margins during the last six to nine months.
2. Recommendation: Trading firms should invest in a PNL Explain system, an analytical process for understanding a portfolio's revenues and costs. Doing so will help to improve operational efficiency, while reassuring executive management and ratings agencies that capital-at-risk is being managed properly. Investment in PNL Explain need not be sizable before it yields positive results, advises Sapient senior consultant Akhil Sehgal.

Wealth Management

1. Observation: Wealth managers feel they serve their clients well, whereas clients feel the opposite, a Sapient survey shows.
2. Recommendation: To address the perception gap, wealth managers should respond to client requirements for greater transparency and clear reporting. Wealth management firms also should consider developing their online capabilities because younger, high-net-worth clients are used to accessing financial information online and through other digital platforms. At the same time, wealth management firms will need to respond to new regulatory changes aimed at improving formal qualifications for advisers; failure to meet the regulators' demands could affect the ability of wealth management firms to operate in the future.

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"The common thread across all of these articles is clear," said Jonathan Davies, vice president of Sapient Global Markets. "The financial markets are making a surprisingly positive entry into 2010, but all participants have lessons to learn to ensure that businesses can achieve growth in a managed environment."

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For more insights from *Crossings*, please visit: <http://www.sapientglobalmarkets.com>.

About Sapient Global Markets

[Sapient Global Markets](#), a division of Sapient®, is a leading provider of services to today's evolving financial and commodity markets. We provide a full range of capabilities to help our clients grow and enhance their businesses, create robust and transparent infrastructure, manage operating costs, and foster innovation throughout their organizations. We maintain major practices in Advisory Services, Analytics, Technology, and Process Solutions, as well as unique methodologies in program management, technology development, and process outsourcing. Sapient Global Markets operates in key financial and commodity centers worldwide, including Boston, Chicago, Houston, New York, Calgary, Toronto, London, Amsterdam, Düsseldorf, Geneva, Munich, Zurich, and Singapore, as well as in large technology development and operations outsourcing centers in Bangalore, Delhi, and Noida, India. For more information, visit www.sapientglobalmarkets.com.

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