



Regulatory Compliance and Control

The extreme complexity of energy organizations, markets, transactions, contracts, and accounting rules generate special challenges in complying with Sarbanes-Oxley, FASB 133, FASB 157 and IAS 39. Private companies face similar challenges ensuring accurate internal audits and proper governance. The overarching issue is embedding compliance into business processes throughout the organization — and doing so quickly and cost effectively.

Overview

Allegro delivers comprehensive solutions for regulatory compliance that also enable companies to better manage operations and risk.

Allegro's solutions integrate all energy business processes into one platform. The need for off-system spreadsheets and storage is eliminated. Every document, message and user action is tracked and archived. All compliance activity is tightly integrated with business processes and operations across the enterprise.

Allegro's automated hedge management and reporting capabilities further enable compliance. Users can easily create and modify one-to-one, many-to-one and one-to-many relationships between derivatives and underlying physicals being hedged. Users can designate, re-designate and close hedges, and also test and evaluate hedge effectiveness.

Allegro handles related accounting and reporting for even the most complex scenarios, ensuring proper valuation, settlement, accounting and reporting.

Operations Control

In addition to regulatory compliance, companies also must exercise precise control over operations-level decision makers such as traders. Too much control stifles initiative, erodes efficiency and results in missed opportunities. Too little control invites serious financial consequences. Maintaining the right balance is crucial.

Allegro helps companies perfect the balance between operational freedom and control at every level, from corporate policy to approvals workflow to limits on types and sizes of deals, down to individual traders. Managers can delineate operational boundaries while defining levels of flexibility granted to each team and individual in different situations.

Compliance Support

Allegro solutions support the COSO Framework defining business process controls and management accountability for comprehensive Sarbanes-Oxley compliance. Allegro's solution for transaction accounting, operational control and regulatory compliance, including hedge effectiveness, can stand alone or readily integrate with existing or Allegro-provided accounts receivable, accounts payable and general ledger applications.

Risk Management
Commodities Trading
Physical Logistics
Regulatory Compliance

Features and Benefits

Supports Full Compliance

Allegro supports Sarbanes-Oxley, FASB 133, FASB 157 and IAS 39 compliance. It provides the control, accuracy, timeliness, and security that senior management requires to certify financial reports with confidence.

- **Helps ensure effective internal controls at every level.** Allows managers to monitor operations and supervise the control environment across front, middle and back office.
- **Enables flexible, cost-effective compliance and control.** Enables companies to standardize complex energy business processes, while component architecture provides the scalability and performance needed to implement full compliance.
- **Delivers accurate information, available in real-time.** Central information repository seamlessly maintains data from deal capture to accounting to enable data consistency and accuracy.
- **Provides comprehensive audit trails for accountability.** Audit trails include a complete record of each user's activity and integrates messaging, automated workflow management and archiving.
- **Provides integrated document control.** Includes complete, automated version control, streamlines regulatory reporting and maintains supporting documentation.
- **Provides comprehensive security features.** Enables data security at user, server and enterprise levels and provides data authentication through customized system configuration.

Hedging: Complying with FASB 133, FASB 157 & IAS 39

To achieve risk mitigation objectives, companies often must coordinate physical and derivative positions. Allegro provides a complete hedging resource for this purpose. Allegro enables users to hedge physicals with derivatives and test hedge effectiveness. Users can help ensure compliance by accounting for hedge transactions end to end, from inception through close.

- **Logically organizes complex hedge information.** Organize hedge information for maximum clarity and flexibility, and define hedges by parameters such as inception date, close date, strike price and option type.
- **Enables users to define, assign and reassign hedges.** Set up user-defined hedges and once hedge is established, users can assign any number of positions to it.
- **Delivers powerful, easy to use hedging tools.** Users can easily create/designate a hypothetical derivative and can assign a deal and its hypothetical derivative to a hedge.
- **Analyzes and calculates hedge effectiveness.** Test and analyze effectiveness of cash flow and fair value hedges for any given time period on a prospective and retrospective basis.
- **Calculates and allocates hedge ineffectiveness.** Validate and confirm cash flow and fair value hedge ineffectiveness transactions prior to accrual processing in settlement.
- **Supports full accounting for fair value hedges.** Recognize earnings gain or loss in the appropriate time period, and associate earnings gain or loss with the offsetting loss or gain on the hedged transaction.
- **Supports full accounting for cash flow hedges.** Allegro initially reports effective portion of derivative gain or loss as a component of other comprehensive income, such as outside earnings.
- **Enables flexible management of hedge closings.** Allegro can close hedges entirely or on a partial basis when multiple derivatives, such as four-way options, hedge a physical position.
- **Automates hedge-related journal entries.** Allegro can automatically book accounting entries based on hedge effectiveness calculations.

For more information go to www.allegrodev.com or contact our corporate office at 214-237-8000.

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Allegro is the leading provider of energy trading and risk management solutions for power and gas utilities, refiners, producers, commodity traders, retailers, and consumers. Allegro's enterprise platform spans front, middle, and back offices – multiple currencies and all commodities. Additional information on Allegro solutions can be found at www.allegrodev.com