



Trading credit risk management platform

Abstract

The client wanted to replace its legacy trading credit risk management platform with a new platform supporting multiple capabilities and more effective integration with other systems. Advantage Reply took the lead in capturing business requirements, defining the target architecture, initiating the implementation project, and handing over to the client's internal project management.

THE CLIENT

The client was the investment banking division of a major international bank with global operations in Europe, the Americas and Asia, and very substantial trading operations especially in London and the US.

THE CHALLENGE

The client's trading portfolio includes a wide range of financial products, including very large volumes of FX, money market, interest rate and credit derivatives, together with repos, cash equities and equity derivatives. The bank wanted to replace the legacy trading credit risk management platform with a new toolkit able to support pre-deal analysis and near-time reporting of limit excesses. The goal was to integrate the new platform with a large number of front office systems and with other credit risk systems including a collateral management system, a potential future exposure simulation engine and systems for calculating and reporting on economic and regulatory capital consumption. We were asked to support the initiative as business architects, documenting the business requirements, creating a reference application architecture showing the role of the new component in the Bank's overall risk architecture, preparing RFI and RFP documentation, producing an objective framework for scoring proposals, participating in the selection meetings, supporting the client stakeholders in the evaluation, and delivering a final evaluation document at the end of the process.

APPROACH AND SOLUTION

As part of a mixed team of client and consultant staff we took the lead in capturing the business requirements and defining the target architecture. A third-party software platform would be required to support credit exposure aggregation, netting, collateral recognition and limit availability functionality, including provision of workflow for limit excess management. Pre-deal limit availability checking would be required, initially for selected high-value/high-volume business. The proposed architecture and associated business model was adopted formally by the client. We managed the RFI/RFP process, defined the scoring and selection process and integrated the selected product into the target architecture. We developed the plan for architecture migration including the approach for incremental cutover of the portfolio to the new platform. We then worked with the client to initiate the implementation project and hand over to internal project management.

RESULTS AND BENEFITS

The client took on the target architecture and planning, initiated the implementation project and over the following three years successfully implemented and migrated onto the new credit risk platform.

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