

## **Risk Margin Computations**

### **BUSINESS NEED**

The client, an investment bank and a global leader in the area of financial and banking services in their prime brokerage business unit was interested in acquiring a margin risk calculation engine for 30 of their institutional clients. For several years, the client implementations of one-off house rules to meet risk and client needs have been developed within the RACS (Risk Analysis & Control System) platform. These rules are client specific and governed by individual agreements reached by the Prime Brokerage business, risk and the client. Currently, the GMOP (Global Margin Application) House calculator falls short in flexibility and scalability to cover the complexities in these negotiated rules.

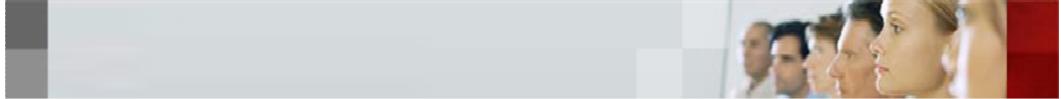
### **OPPORTUNITIES/CHALLENGES...**

Due to the client's business drive towards larger clients, there has been a significant increase in the number of clients requesting customized House margining. Other challenges for this client included the transition and implementation of risk rule-based requirements and lockup overage rule computations out of the current reports and into the Syncova engine.

### **enableIT SOLUTION**

The enableIT consultant who was involved on this project in gathering business requirements, functional specifications, data analysis/mapping on Optima/Broker selected by the client to support the cross margin platform and margin models. The purpose of the tool was to unify all asset classes into a single platform. User rule definition, fully optimized calculations, open and configurable account hierarchy, and support for any instrument class are key elements of the platform breadth and flexibility. The advantage of Optima/Broker stems from the fact that it can apply any combination of margin rules and hedge strategies across single or combined portfolios and then optimize the portfolio holdings to always produce the most efficient margin requirement.

Optima/Broker as a margin computation engine provided the client with comprehensive XML schemas and data import/export API allowing for easy integration with upstream source data, downstream operational systems and internal reporting platform.



## **VALUE OF INVESTMENT**

The solution implemented by enableIT provided this bank with an opportunity to centralize the margin risk computations into a single consolidated platform. A globalized system makes for greater financial accountability. It will also assist in improving competitive performance and more flexibility and timeliness in planning. The expectation is to consistently apply the firm's risk policies and to maximize the firm's revenue opportunities.

## **TECHNOLOGIES USED |**

- Syncova Optima (Off-the Shelf package)
- Java
- C++
- Oracle
- SQL Server
- MS Office

## **BUSINESS DOMAIN**

Risk Management, Profit & Loss reporting, Fixed Income, Convertible debt, equities, derivatives, stress testing.