

Foreign Exchange Clearing System

Client

A top ten global investment bank

Business Area

Investment banking – prime services

Asset Classes

FX, FX derivatives

Technology Set

J2EE on DAP servers, Oracle database, .Net service, .Net UI, Flex Web GUI

Integration

Internal trade data and collateral management systems

User Profile

20+ users

Geography

Asia, UK, US

Relationships Status

Ongoing ODC, T&M

Services Provided

Business analysis, Development, QA/Testing, Production support

Team Size

7 team members

Duration

1+ year

Summary

Create an automated process to monitor and report on the the collateral and margin risks in the prime services portfolio for a global investment bank.

Business Challenge

As part of a strategic initiative to increase prime services revenue, the bank outlined the high-level business objectives for a clearing system to be used by the Prime Brokerage division and their clients. Each of the following objectives must meet both business and technology requirements for the management of the portfolio:

- Reduce risk and improve client offerings through a central clearing process that uses cross-product technologies
- Take advantage of cross-product margining methodologies to reduce costs and maximize margins
- Build on the central clearing operational model to monetize revenue-generating opportunities and to improve client satisfaction with the alignment of business processes and technology

Luxoft Delivered Solution

Luxoft developed and implemented a foreign exchange clearing system that met and exceeded the bank's strategic objectives with the following high-level capabilities:

- Initial margin calculations
- Monitors the executing broker's net open position (NOP) limits on cash positions
- Monitors the executing broker's gross exposure and NOP limits on over-the-counter (OTC) and futures positions per currency or currency pair
- Generates breach alerts for margin calls
- Pre-defined reporting functionality that enables users to view, download and schedule risk, margin, profit and lost (P&L) and open position reports
- Custom reporting functionality that includes graphical data
- On-demand margin data functionality for pre-deal assessment

- A single portal for the bank's clients to manage their portfolio: view open foreign exchange (FX) cash positions; perform allocations for FX cash, OTC, and listed currency derivatives
- A portal for the bank's Prime Brokerage staff to maintain client data; monitor risk and margin per client, book, or business; view client margin and risk data for cash, OTC, and listed currency derivatives across accounts and currencies regardless of margin method used; view overall credit exposure to each counterparty bank; and manage collateral balances
- Integrates client data with the bank's internal trade data and collateral management systems

Benefits

Luxoft's solution provided the bank's prime brokerage services business with the following benefits:

- Reduce risk with consolidated exposure information and immediate access to client positions, margin and risk status
- Increase revenue with cross-product offerings that appeal to fully-invested clients with limited capital resources
- Reduce operational costs and increase efficiency by consolidating client data management across a number of applications within the bank's FX business
- Support the bank's central clearing strategy by consolidating client offerings into a single portfolio management portal
- Increase performance and productivity by removing dependencies on other systems for margining and risk management in prime brokerage services

Customer Feedback

Detailed feedback is available on request.