SMARTDX

Automating Standard Bank's Trade Confirmation Process

Standard Bank

About Standard Bank

Standard Bank's international franchise is focused on developing markets and natural resources. Standard Bank provides banking services in connection with trade, investment and business flows with an emerging markets and natural resources focus. These services are provided through a global network of offices located in twenty major international financial centres and key developing economies.

The Challenge

As a result of its increased trade volumes, the Bank underwent an in-depth process to review and improve procedures to more efficiently and accurately process derivative trades. This review of the Bank's back-office processes revealed a high level of manual intervention, a lack of scalability and, in general, insufficient flexibility in its current systems as well as an inconsistency in processing.

Standard Bank elected to improve the way it processed confirmations in three clear project stages:

- Stage 1 – Establish a Technology Foundation. Acquire and implement a technology solution that would meet the needs of all related business functions, including legal, risk and operations.

- Stage 2 – Integrate with Existing Systems. Build links with existing trading systems – including Exis, Murex, Calypso and Front – to accomplish the desired levels of automation, matching and tracking.

- Stage 3 – Expand Deployment. Extend the system across the bank for non-OTC (over-the-counter) trades.

In particular, increasing automation and reducing the need for manual intervention were considered key project objectives. The goal was to not only improve processing throughput and scalability, but also to reduce operating risk and inconsistencies in trade processing.

The Solution

SmartDX, the Capital Markets solution from Thunderhead, and WSI were initially selected following a competitive evaluation process. One of the advantages of the joint solution is the ability to allow business/operations staff to create and control all document templates, i.e. without relying on specialist IT skills. Additionally, the combined solution is completely based on open standards and XML, ensuring that it could be quickly integrated with the Bank's key trading and back-office systems. One of the key drivers for the project was the automation of trade confirmations across the Murex Equity and Murex Energy trading systems to reduce operational risk and handle anticipated higher volumes of trades without increasing staffing levels. The solution replaced an incumbent MS Word-based solution which was highly manual and could not support the planned growth in trading volumes.

Implementation

Deployment of the joint SmartDX-WSI solution began in September 2008 and a successful 'go live' was accomplished, just over three months later.

The phase one implementation included:

- Fully automated trade messaging between Murex, WSI and SmartDX using FpML v4.5

- Handling of all trade events, including economic/non-economic changes, amendments, cancellations, terminations (full and partial) and novation (full and partial)

- STP and non-STP trade processing, including security-enabled exception management and editing

- Audit and comparison of any changes to a non-STP confirmation

- Integration with Captaris RightFax for outbound delivery

- Integration with SMTP gateway for e-mail delivery

- Automated acknowledgments

The Business Process

WSI Xceptor manages the workflow for confirmation tracking, matching and management and stores the trade details and confirmation status for outbound and inbound confirmations. SmartDX manages pre-defined templates for each product type. Trade data is passed from WSI Xceptor to SmartDX to generate the confirmation documentation.

Xceptor then manages the outbound confirmation delivery, via various dispatch methods, and inbound confirmation receipt by picking up inbound documents from various delivery queues. WSI Xceptor then enables manual viewing and booking of the inbound documents.

Following a trade event, trade data is sent from the front-office trading platform in local source system format (e.g. Murex MXML), which is then transformed into FpML to be used within a confirmation document. WSI Xceptor also provides additional data that is required for trade analysis and the confirmation.

SmartDX is used to manage the templates and rules for the production of each confirmation. In order for SmartDX to generate the confirmation documents from the templates, it requires specific data from the trading systems. WSI Xceptor receives the trade data and extracts what it requires for existing trade capture, then adds/enriches the message (where needed) and pushes this information on to SmartDX.

The WSI Xceptor Outbound Status automatically identifies whether a confirmation is required for a new trade. If required, SmartDX returns the appropriate confirmation as a final PDF or as an XML document for additional editing in SmartDX's document editing tool.

Results

From a management and risk point of view the time taken to produce new trade confirmations has been dramatically reduced, resulting in a significant reduction in operational risk. Operations staff have found the system both user-friendly and efficient to use and the solution has given them complete control over the confirmation process without relying on niche technical skills.

Smart DX and WSI Xceptor enable an efficient confirmation management process, providing a scaleable and effective solution that allows the Bank to focus on its business rather than its supporting systems. The joint solution is now considered a critical part of how the Bank processes confirmations and is a critical solution, helping it manage its data and processes effectively.

About SmartDX

SmartDX, from the Smart Communications division of Thunderhead, is the industry standard for automating trade and relationship document generation, processing and collaboration in the Capital Markets.

Trusted by all of the G15 investment banks and some of the world's largest energy and commodity companies, SmartDX helps simplify the negotiation and execution of trade and relationship documentation for all market participants, across all document types, asset classes and product types.

SmartDX, from the Smart Communications division of Thunderhead, serves its global customer base from offices located in North America, Europe and Asia Pacific.

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