



Faster credit checking keeps FX trades flowing

ABN AMRO wanted to offer its customers real-time FX transactions without compromising its credit process. RiskCare delivered a practical solution.

Business driver

With FX markets becoming increasingly competitive, ABN AMRO was looking for improvements to its online trading portals. Faster quotations for its customers was critical, especially across multi-vendor platforms such as FXAll and FXConnect.

The bank wanted to offer real-time spot, forward and swap deals. To avoid exposing the bank to undue credit risk, global and cross-product credit checks were required.

Working with the FX business and credit control, RiskCare identified a series of practical improvements to their pre-deal credit checks. While trading performance was increased, the integrity of the credit checking process was maintained without resorting to 'carve outs'.

Challenges

Changes to the credit checking process had to be made within ABN's existing FX infrastructure. The trading infrastructure and credit processes were intricately intertwined, both operationally and technologically. Changes had to be planned carefully to avoid any impact on ABN's ability to generate revenue and mitigate risk.

The project also had to fit into a complex programme, with a number of other initiatives taking place at the same time. To manage upstream and downstream dependencies, we established close co-operation between the FX business, credit team and the managed services supplier for infrastructure.

What we did

- Minimised credit (FX) latency
- Increased stability in the e-commerce platform by re-engineering the communications layer
- Improved overall transparency and accountability of the credit checking workflow
- Worked flexibly to make best use of limited release windows

“RiskCare understood both the business and risk sides and knew what could be changed. Their practical recommendations made an immediate difference to our business performance.”

Matt Partridge
FX Technology, ABN AMRO

“This solution could not have been envisaged without a holistic understanding of the business, the risk control and the technology environment - a literal interpretation of requirements would have led to an overall increase in complexity.”

Matt Partridge,
FX Technology, ABN AMRO

Project summary

ABN uses Reuters Electronic Trading (RET) for its rate making and portal infrastructure and Sungard Adaptiv for its credit checking. While its process was comprehensive across its financial products, it had to be re-engineered if performance was to be improved.

A string of components linked the RET trading infrastructure with the credit checking engine. The biggest gains were achieved by rebuilding a key component within this Local Bank Node and refactoring its models. Latency was reduced significantly and the quality and speed of pre-deal credit decisions improved.

We also streamlined the workflow, merging some processes that were being shared by credit control and the FX business. With fewer components, the simplified workflow led to a dramatic improvement in reliability as well as speed. It also improved transparency, giving traders a clear indication about why trades were being rejected.

Further latency enhancements were achieved by re-engineering the communications middleware. We removed a legacy component that had long proven to be a critical failure point. Better communications meant a faster, fault tolerant and better audited pipeline with greater stability and reduced operational risk.

By creating robust and realistic test harnesses and emulators, we could verify functionality during development and perform regression and performance testing later in the project. These tools enabled us to gain a complete understanding of how the whole infrastructure was behaving and minimised any risk to the test and production environments at ABN.

As a result of these changes, ABN customers saw an immediate improvement in the speed of their FX trading. Since its inception, the new credit checking system has also remained 100% reliable.

Technologies

- Local Bank Node (LBN) rebuilt within Reuters Electronic Trading (RET)
- Existing functionality streamlined and processes re-engineered to improve credit checking performance.
- Use of multithreading techniques, J2EE, Enterprise Java Beans and Oracle
- Integration of Sungard Adaptiv
- A re-engineered comms technology based on IBM MQ Series, created a fast, fault tolerant pipeline
- A front-end web interface was built for credit reporting using JSP

RiskCare view

Sometimes ‘less is more’. With stringent business demands but limited IT options, we found a way to simplify, rather than complicate. ABN’s trading infrastructure.

Reducing the number of processes required for credit checking met all of ABN’s business, credit and technological demands in one seamless solution.

RiskCare’s consultants help investment banks and asset managers to get more from their technology.

Talk to us and take a fresh approach to your next technology project.
Call +44 (0)20 7489 2900 or visit www.riskcare.com/fx

