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Risk

RISK MANAGEMENT | DERIVATIVES | REGULATION

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DECEMBER 2009

Compliant thinking

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RISK TECHNOLOGY RANKINGS 2009

Financial institutions are under pressure to improve risk management processes, with a particular focus on liquidity risk, counterparty credit risk and enterprise risk management. It means many have had to turn to third-party vendors to upgrade their systems. But which technology providers are finding favour with the banks? By ***Clive Davidson***

Compliant thinking

New financial markets regulation is coming thick and fast. The Basel Committee on Banking Supervision has already announced plans to introduce an incremental risk charge and stressed value-at-risk measure, and is preparing to finalise proposals on a leverage ratio, capital buffer and a quantitative liquidity charge. Regulators have put greater emphasis on counterparty credit risk exposures, enterprise risk management, stress testing and accurate market data, while the UK Financial Services Authority finalised new liquidity rules in October, which will place a huge reporting burden on financial institutions of all sizes.

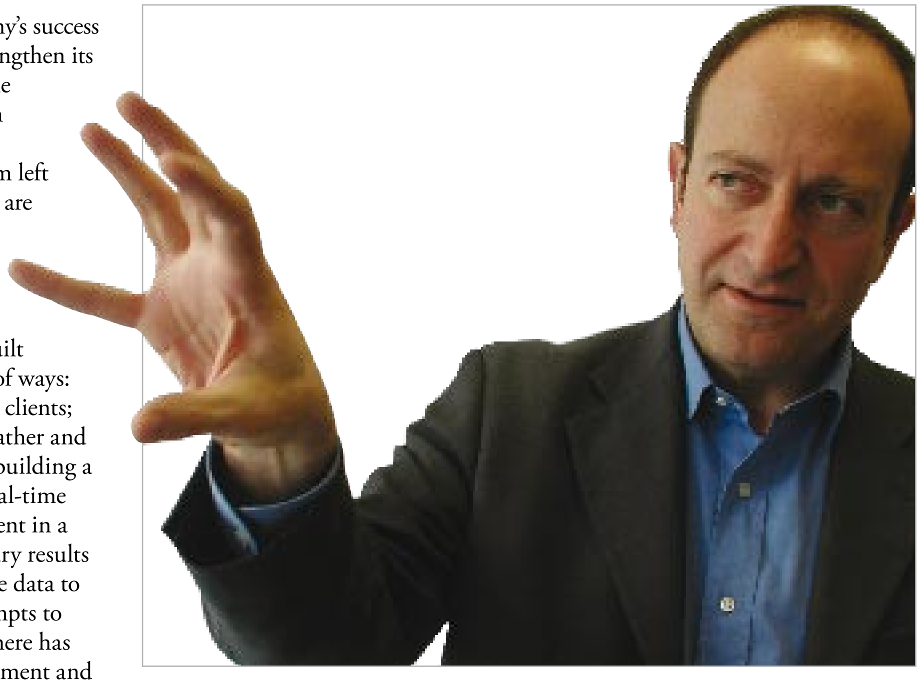
On virtually all fronts, banks will need to improve accuracy, transparency, integration, efficiency of processing and data storage. For those that relied on a disparate conglomeration of systems developed internally and purchased from third-party vendors, the push to achieve a consistent, enterprise-wide view of risk will pose particular challenges. All this comes at a price, and banks are gearing up to meet the costs of these projects. A survey of 824 institutions, published in November by London-based Chartis Research, revealed that 66% plan to increase their risk technology expenditure by 10% or more in 2010. But with the memory of the financial crisis and the multi-billion dollar losses still fresh in the mind, banks are more discerning than ever in choosing where to spend their money.

In the same survey, Chartis Research also released their Risk Tech 100™ Rankings 2009 which compares the offering of 100 'Tier 1' enterprise software powerhouses to specialised boutiques active in the risk management market and recognised as the best in their chosen sector or risk class across six categories. Murex reached the top 10, rising five places compared to 2008, while receiving a top score for customer satisfaction – an acknowledgment of the value for money of MX solutions, the quality of its after sales service and support and the frequency of product updates ensuring a technology in pace with best-practice and regulatory changes.

In *Risk Magazine*'s 2009 survey, the big established vendors with long track records have attracted the most votes, demonstrating banks are looking for technology firms that can provide a full range of services. Following an impressive track record of 100 top three rankings won across pricing and risk analytics, trading systems and enterprise-wide risk management categories over the past five years, Murex maintains top spot rankings this year again and appears as one of the firms that have been able to help customers navigate the new regulatory environment. The firm scored well in the new categories *Risk* added this year, topping the counterparty credit risk category and coming third in the liquidity risk and risk dashboard segments.

Maroun Edde, chief executive of Murex, believes the new focus on counterparty and liquidity risks indicate a period of massive change is under way in the financial industry, with the rules being rewritten across the board on things like market assumptions, appetite for risk versus return, the level of scrutiny of regulators, and trade processing automation. "While the fundamental purpose of financial institutions remains the same, they all need to fundamentally change their business models," he says. The company's success in the rankings suggests its strategy of continuing to strengthen its cross-asset straight-through processing architecture, while responding rapidly to evolving risk is bearing fruit. With banks seeking to improve customer service by offering currency, energy and interest rate products in the vacuum left by failed large firms, more institutions than we expected are using technology to expand their businesses.

Aside from enterprise risk management and liquidity risk, there have been several other areas of focus for vendors: such as risk analysis tools designed for decision makers but also the new processes being built around risk analysis. This manifests itself in a number of ways: developing more preconfigured applications for smaller clients; providing new data management tools to help clients gather and prepare the data for risk aggregation and analysis; and building a scalable and resilient infrastructure that will support real-time valuation, risk analysis and limits and excess management in a world of global continuous markets. High-level summary results are no longer sufficient, so banks must store and analyse data to the lowest level of detail. In parallel with industry attempts to more closely integrate market, credit and risk factors, there has been a move to bring together governance, risk management and compliance (GRC). In software terms at least, the risk management in GRC refers to operational risk, and for the moment operational risk management and GRC remain functionally distinct from market, credit and liquidity risk software. Their only points of overlap are in economic and regulatory capital calculations and enterprise scenario generation and stress testing, where operational risks can be included along with other risk factors. Track record, stability of applications, reference sites, financial strength and global support services are all essential for the success of trading and risk system vendors today as demonstrated by Murex in the Risk rankings. Many vendors have been able to react quickly to the changing shape of the industry and develop systems that meet many of the requirements of their customers, particularly around the areas of enterprise risk management, counterparty credit and liquidity risk. With regulatory change continuing at speed, technology firms will have to continue to adapt to ensure their products are relevant. ●



"Banks and asset managers need to retain a capability to quickly develop new products, which are more economically sound than potentially toxic, but new nevertheless"

Maroun Edde, Murex

How the poll was conducted

Risk polled thousands of banks, hedge funds, pension funds, insurance companies and corporate treasurers for this year's technology rankings, and received 2,437 valid responses. Respondents were asked to vote for the technology vendors that provide the best product offering across a number of categories, including enterprise risk management, risk capital calculation, front- to back-office trading systems, and pricing and analytics.

Participants were asked to base their votes on functionality, usability, performance, return on investment and reliability. Nominated technology companies were awarded three points for a first-choice vote, two for a second-choice vote and one point for a third-choice vote. Only technology end-users were allowed to vote. *Risk* conducted a comprehensive due diligence process and disqualified any votes that were felt to be unfair.

OVERALL

Rank	Vendors	1st places	2nd places	3rd places
1	Thomson Reuters	6	7	10
2	Murex	5	10	7
3	Algorithmics	4	8	3
4	Moody's Analytics	3	1	1
5	SunGard	2	2	1
6	CCH Sword	2		
7	Calypso	2		2
8=	Fiserv	2		
8=	Sophis	2		
10	Savvysoft	1	3	1
11=	Bloomberg	1	1	1
11=	Misys	1	1	1
13=	Numerix	1		
13=	EBS	1		
15	Barx		1	
16	SAS			4
17=	Markit			1
17=	DB Autobahn			1

TRADING SYSTEMS – FRONT TO BACK OFFICE

Commodities

29 companies cited

2009	2008	Vendors	%
1	**1**	**Murex**	**15.7**
2	2	Thomson Reuters	14.8
3	3	Calypso	12.1
4	4	OpenLink	11.0
5		Sophis	8.8

Credit

26 companies cited

2009	2008	Vendors	%
1	1	Calypso	18.3
2	**2**	**Murex**	**15.4**
3	3	Thomson Reuters	13.4
4	5	Misys	10.9
5		Bloomberg	9.1

Cross-asset

27 companies cited

2009	2008	Vendors	%
1	1	Thomson Reuters	15.3
2	**2**	**Murex**	**14.8**
3	3	Calypso	13.2
4	4	SunGard	10.4
5	5	Misys	10.1

Equities

26 companies cited

2009	2008	Vendors	%
1	1	Sophis	14.5
2	**2**	**Murex**	**14.3**
3	4	Thomson Reuters	11.7
4	5	SunGard	10.3
5		Bloomberg	9.5

Forex

24 companies cited

2009	2008	Vendors	%
1	1	Thomson Reuters	17.2
2	**2**	**Murex**	**14.7**
3	4	Misys	13.1
4	3	SunGard	11.3
5	5	Wall Street Systems	7.9

Rates

25 companies cited

2009	2008	Vendors	%
1	2	Misys	15.8
2	**1**	**Murex**	**14.9**
3	5	Thomson Reuters	12.3
4	3	Calypso	11.3
5	4	SunGard	10.2

Structured products

22 companies cited

2009	2008	Vendors	%
1	1	Calypso	15.6
2	**2**	**Murex**	**13.6**
3	5	Thomson Reuters	12.1
4	4	Misys	10.9
5	3	SunGard	9.3

PRICING AND ANALYTICS

Commodities

38 companies cited

2009	2008	Vendors	%
1	**1**	**Murex**	**15.5**
2	3	Bloomberg	15.3
3	2	Thomson Reuters	13.8
4	4	Savvysoft	10.1
5		Sophis	8.9

Credit

33 companies cited

1	1	Savvysoft	14.4
2	**2**	**Murex**	**13.9**
3	4	Thomson Reuters	12.1
4		Numerix	10.1
5	5	Calypso	8.9

Equities

32 companies cited

2009	2008	Vendors	%
1	1	Thomson Reuters	13.1
2	**2**	**Murex**	**11.6**
3	4	Bloomberg	10.4
4		Fincad	7.8
5	5	Numerix	7.5

Rates

25 companies cited

2009	2008	Vendors	%
1	1	Numerix	13.6
2	2	Savvysoft	12.5
3	5	Thomson Reuters	11.6
4	3	Calypso	9.6
5	**4**	**Murex**	**8.7**

2009	2008	Vendors	%
1	**1**	**Murex**	**17.3**
2	3	Savvysoft	15.1
3		Thomson Reuters	14.1
4	2	Calypso	12.4
5	4	Numerix	10.7

Cross-asset

31 companies cited

2009	2008	Vendors	%
1	1	Sophis	15.9
2	5	Thomson Reuters	13.4
3	**4**	**Murex**	**13.2**
4		Bloomberg	11.4
5	3	Imagine	9.7

Forex

29 companies cited

2009	2008	Vendors	%
1	2	Thomson Reuters	17.1
2	1	Savvysoft	16.7
3	**3**	**Murex**	**14.5**
4	5	Bloomberg	11.0
5		Fincad	8.5

Structured products

22 companies cited

2009	2008	Vendors	%

ENTERPRISE-WIDE

Market risk management

26 companies cited

2009	2008	Vendors	%
1	1	Algorithmics	13.8
2	2	Thomson Reuters	12.9
3		**Murex**	**12.8**
4	3	SunGard	10.8
5	5	Fiserv	8.7

Credit risk management

27 companies cited

2009	2008	Vendors	%
1	1	SunGard	12.5
2	2	Algorithmics	12.3
3	3	Moody's Analytics	11.9
4		**Murex**	**10.6**
5		Thomson Reuters	7.8

Integrated market and credit risk management

26 companies cited

2009	2008	Vendors	%
1	1	SunGard	15.9
2	2	Algorithmics	15.6
3		**Murex**	**13.0**
4		Thomson Reuters	10.3
5		SAS	8.7

Risk management – Basel II

21 companies cited

2009	2008	Vendors	%
1	2	Algorithmics	14.9
2	1	Moody's Analytics	13.4
3	4	SAS	12.1
4	3	SunGard	11.3
5		Fiserv	10.1

Operational risk management – risk control and self assessment, key risk indicators and internal loss management

25 companies cited

2009	2008		%
1	2	CCH Sword	15.9
2	1	Algorithmics	15.2
3	3	SAS	11.4
4	4	Chase Cooper	9.9
5		Thomson Reuters	8.3

Operational risk management – capital calculation

24 companies cited

2009	2008	Vendors	%
1	3	CCH Sword	13.4
2	2	Algorithmics	13.2
3	1	SAS	10.8
4	4	Chase Cooper	9.1
5		Moody's Analytics	7.9

Risk aggregation: market, credit, counterparty, liquidity, operational

20 companies cited

2009	2008	Vendors	%
1	na	Thomson Reuters	16.4
2		**Murex**	**14.1**
3		Algorithmics	11.7
4		SunGard	11.3
5		SAS	9.5

Liquidity risk management

19 companies cited

2009	2008	Vendors	%
1	na	Fiserv	15.5
2		Thomson Reuters	13.5
3		**Murex**	**11.9**
4		Algorithmics	11.5
5		SunGard	10.6

Counterparty risk management

18 companies cited

2009	2008	Vendors	%
1	**na**	**Murex**	**18.2**
2		Algorithmics	17.1
3		Thomson Reuters	15.1
4		SunGard	14.5
5		Calypso	10.5

Risk dashboards

21 companies cited

2009	2008	Vendors	%
1	na	Algorithmics	17.7
2		Thomson Reuters	13.9
3		**Murex**	**11.4**
4		SunGard	10.9
5		Fiserv	9.4

OTHER

Limit checking

23 companies cited

2009	2008	Vendors	%
1	**1**	**Murex**	**14.9**
2	2	SunGard	13.2
3	3	Algorithmics	11.2
4	4	Thomson Reuters	11.0
5	5	Calypso	7.6

Collateral management

22 companies cited

2009	2008	Vendors	%
1	1	Algorithmics	14.9
2	4	Thomson Reuters	13.2
3	**3**	**Murex**	**12.2**
4		SunGard	8.6
5	5	Lombard Risk	8.0

Asset and liability management

25 companies cited

2009	2008	Vendors	%
1	3	Fiserv	15.7
2	1	SunGard	14.1
3	5	Algorithmics	12.8
4	2	Moody's Analytics	9.7
5	4	Quantitative Risk Management	8.4

IAS Compliance

21 companies cited

2009	2008	Vendors	%
1	1	Thomson Reuters	17.8
2	**2**	**Murex**	**15.9**
3	3	Calypso	12.8
4	4	SunGard	10.1
5		Algorithmics	9.4

Data vendor

19 companies cited

2009	2008	Vendors	%
1	1	Bloomberg	17.5
2	2	Thomson Reuters	16.2
3	4	Markit	12.1
4		Telekurs	7.7
5		Fair Issac	6.9

Industry trading platform

14 companies cited

2009	2008		
1	na	EBS	21.1
2		Barx	18.1
3		DB Autobahn	15.5
4		FXAll	13.3
5		Currenex	10.1

Regulatory reporting

18 companies cited

2009	2008		
1	na	Moody's Analytics	17.5
2		Algorithmics	16.1
3		SAS	14.3
4		FRS Global	11.5
5		SunGard	10.5