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## Best product for capital markets

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Many banks in Asia-Pacific (Apac) rely on Murex's MX.3 platform to manage their trading positions – risk and back office – in a fully integrated way. However, producing the profit and loss (P&L) of the bank had to be performed outside the platform as it was relying on external data sources. Murex's latest product innovation seeks to address this.

Product controllers are responsible for preparing and analysing P&L and attribution reports, typically operating in a fragmented technology environment. To properly evaluate P&L, they must first gather data from all banking and trading systems across the business. They must then retrieve all additional valuation adjustments (AVAs), provisions and reserves declared or calculated in various systems and spreadsheets. Finally, the official P&L needs to be reconciled with the accounting P&L in the general ledger.

It is this latter part – validating the results and reconciling them with the general ledger – that has proved so time-consuming and tedious for banks, especially those with large and complex balance sheets.

Many banks use spreadsheets to keep track of the data across different divisions, but this is inefficient and prone to error. Murex teamed up with UOB Singapore to see if a better solution could be designed. After two years of development, UOB has now started using this in production.

“MX.3 allowed us to digitalise the P&L management process, end to end. Now, our product control team can focus on value-added tasks. The framework to produce, check and approve official numbers is efficient and reliable. This delivers full transparency on our P&L across the organisation,” says Chew Chee Keong, head of market risk and product control for UOB.

Being able to produce the official P&L directly on MX.3 helps multiple teams across the bank.

“For example, the front office can easily produce, analyse and reconcile their Flash P&L; market risk uses the signed-off P&L to backtest the FRTB IMA [Fundamental Review of the Trading Book internal models approach] figures and benefits from its built-in explainability through the P&L attribution when they need to drill down,” says Keong.

### The heart of the solution

After an initial assessment of the situation, Murex started work on a fully integrated single-system architecture with a clear chain, from computations and data gathering through to validation. Such a complete solution did not exist in the market.

“MX.3 for P&L, for the first time in the market, brings this value to P&L production. This unique solution enables a full, end-to-end, digitalised, multiparty P&L workflow. It greatly enhances the working life of the product control teams of our clients and everybody who interacts with them,” says Matthieu Avanthey, Murex's head of product management for Apac.

The heart of the solution was to change the nature of P&L in the platform. P&L has historically been a simple output, a figure computed from an institution's trades and open positions. With Murex's latest innovation,



Matthieu Avanthey, Murex

this component becomes an actual object within the system, consisting of its own lifecycle and validation status.

The first step of this workflow is producing the trading P&L. The second step concerns enriching the P&L with the various AVAs necessary for prudent valuations.

Under the previous setup, such enhancements were prone to error, frequently leading to operational headaches for UOB Singapore.

With the new solution, the AVAs and the fair-value P&Ls are subject to a maker-checker workflow, with full audit trace. A senior product controller verifies the quality of the data and explicitly validates it, inputting any necessary corrections. P&L attribution effects can also be corrected and reclassified. Reruns of computations focusing on errors are easily defined and tracked. Everything is logged and audited for a highly transparent process.

“This is a sometimes forgotten corner of capital markets for banks, and it was very revealing to see the pain these teams have been going through,” says Avanthey. “The P&L control team is made of product specialists with a very deep knowledge of the products they are looking after, but were having to spend a lot of their time fixing data piping issues – so we were very happy to help them.”

### The wider market

Murex is now looking to roll out the solution to other banks in Apac, as well as institutions in other regions. Alexandre Bon, Murex's head of market development for Apac, says that “several clients in the region, as well as some leading European Union banks” have already expressed an interest in implementing the P&L management solution to their product control teams.

“We are very comfortable that, with the UOB pilot, we have all the fundamental blocks in place to really make a difference in the market,” he says.

“Next, we will work with varied bank profiles across different markets to enrich our solution. Our goal is to package a set of best practices to help most firms quickly deploy a robust end-to-end P&L framework.” ■