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Murex named Overall #1
Wins rankings for fourth straight year



No bank is an island

Murex takes the top spot in this year's rankings, as banks' technology needs inspire more collaborative approaches. Reporting by Clive Davidson. Research for this year's *Risk* technology rankings was conducted by Max Chambers

Over the past few years, banks have been coming to terms with the fact that much of their capital markets and other technology is no longer fit for purpose. Individual systems do not have the functionality or performance to meet current regulatory or business requirements, while the infrastructure as a whole is inconsistent, inefficient, inflexible and far too costly.

Many banks already have infrastructure upgrades underway, but at the same time are having to meet a barrage of regulatory deadlines. Some of these deadlines make new demands of the banks' systems, while others go far beyond that, with implications for computing power, data and governance. In the latter camp, vendors give the example of new rules on market risk capital – the *Fundamental review of the trading book* (FRTB) – and revamped loan-loss accounting standards.

"Implementing FRTB is not something a bank can do by just buying a component and sticking it on top of its existing setup. You have to redesign your capital markets infrastructure," says Maroun Edde, chief executive officer of Murex, who is based in Paris. Murex once again topped the *Risk* technology vendor rankings, dominating the trading systems categories and scoring consistently well across many others.

Banks are responding to these parallel demands – the immediate need for regulatory compliance and their own longer-term strategic goals – by asking more of vendors. New projects need to resolve multiple needs, rather than being pursued in isolation.

"Our new projects are more than twice as big as they were a few years ago," says Edde.

The scale of the work is hinted at in the survey that accompanied this year's *Risk* technology rankings. Sixty per cent of the 608 financial institutions that responded to the question said they planned to increase their technology spending in 2017, with almost 23% of those respondents anticipating a spending increase of a fifth or more. Obsolete systems, support for



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Maroun Edde, Murex

growth plans and regulatory compliance are the main drivers of their increased spending.

Like FRTB, loan-loss accounting – in the form of International Financial Reporting Standard (IFRS) 9 – has implications that stretch beyond the immediate requirements, but where there is even greater urgency because of the looming January 2018 implementation deadline. The new rules change the way credit losses, or impairments, on certain financial assets, such as loans and debt securities, are recognised. The calculation of impairments is currently based on incurred losses, but the new standard introduces an expected loss model with varying time horizons – in some cases calling for the loss forecast to span the entire life of the loan.

2016 top 10

- 1 Murex
- 2 FIS
- 3 Calypso
- 4 IBM
- 5 Misys
- 6 Numerix
- 7 Moody's
- 8 Oracle
- 9 SAS
- 10 Thomson Reuters

Mixed interpretation

A fundamental part of meeting the requirements of IFRS 9, as with FRTB and other new regulations, is the gathering, cleaning and managing of the relevant data.

The centrality of comprehensive, high-quality data to the risk management process has been recognised by the Basel Committee on Banking Supervision and addressed in its rule 239, *Principles for effective risk data aggregation and risk reporting*.

The biggest banks were supposed to be in conformance with the principles from the start of 2016, but many still have work to do – medium-sized banks are also wrestling with its layers of change.

The scale of the data challenge was made clear by the participants in this year's survey, with nearly 50% saying it would take up to two years to raise their data quality and aggregation capabilities to the level required by the regulators, with a further 14% saying it could take up to four years.

The accumulating regulatory and business demands, culminating in the onerous requirements of the FRTB and IFRS 9, are reshaping relationships with banks, say vendors. Although the competition among vendors for contracts remains fierce, once the bank has selected a provider, the discussion is very different from how it was in the past. No longer does it turn primarily on price and delivery date, but is more far-reaching and open-ended.

"Banks realise the transformation they are trying to go through, which is technical, organisational and functional, is not something they can do alone. They don't have all the necessary elements. They don't know what is being done elsewhere. They cannot build all the required functionality. They need others who can pick up a significant portion of the load," says Murex's Edde.

But the vendors also recognise they don't have all the answers, or the resources – in many cases, they are calling in additional support. Consultancies and systems integrators have always been part of the technology process, the former often engaged in the project scoping and systems selection, the latter carrying out the implementations. The scale and complexity of current projects means the consultancies and integrators are becoming more integral to the whole process.

"When a bank comes to us with a programme to change 30 years of legacy systems and implement an integrated platform – and do it in five years – it is so far-reaching that we need help from specialised integrators who understand our tools and methodologies and who can work with us from end to end in the bank," says Murex's Edde.

Risk management	Winner
Risk dashboards	Murex

Trading systems	Winner
Equities	Murex
Fixed income, currencies, credit	Murex
Structured products/cross-asset	Murex

Specialist	Winner
Collateral management and optimisation	Murex
System support and implementation	Murex

Shared roadmaps

These longer-term and more open-ended engagements with banks are also affecting how vendors price contracts. "You need commercial arrangements to reflect the fact you are not just selling software and then moving on. During the life of the transformation project, the bank and the vendor are intertwined. We have to be able to correlate some of our revenue with the success of the project. It is necessary because some of the projects are so complicated that the bank and vendor must be totally aligned," says Murex's Edde.

The good news in all this is that while banks have been wrestling with their regulatory and infrastructure demons, developers have been driving technology forwards. Nowadays, IT infrastructure is conceptualised as a stack, with layers of component technologies that interact to perform a given task, from hardware up through operating system, data management, processing engines, applications and user interface.

Vendors point to rapidly advancing technologies at every level of the stack that are bringing significant benefits in scalability, performance, security and reliability. This includes in-memory data handling and non-relational databases, new programming languages and graphics processing units for parallel processing, cloud computing and web-based microservices.

The ability for vendors to exploit these advances is becoming critical to their competitive standing. Like the banks, vendors are having to transform their technology, with those that grasped the nettle earliest now reaping the rewards. ■

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, receiving 986 valid responses, after the screening process described below.

Respondents to the rankings 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, 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 screening process and disqualified any votes that were felt to be unfair. These include people voting for their own firm, or relatives of someone who works in that company voting

for the firm, multiple votes from the same person, multiple votes from the same IP address, proxy votes on behalf of customers, votes by people who choose the same firm indiscriminately throughout the poll, votes by people clearly not involved in the business areas covered by the poll, and block votes from groups of people on the same desk at the same institution voting for the same firm.

The editor's decision is final in determining the validity of votes.



Harnessing new technology

Banks turn to Murex to help optimise operations

Murex was voted overall number one technology vendor in the *Risk Technology Rankings 2016*. Chief marketing officer Stella Clarke explains how exploiting technology can cut costs, soften the impact of regulation and align short- and long-term goals

Banks are facing a number of new market challenges; what are likely to be the most significant of these that banks will face over the next 12 to 18 months?

Stella Clarke: In the coming months, the *Fundamental review of the trading book* (FRTB) will continue to be a core priority for banks. Regardless of delays, they will have no choice when it comes to complying with FRTB. This regulation requires the quick and efficient delivery of an FRTB programme that will enable banks to clearly understand the impact of the regulation on their business. They need the correct tools that will allow them to remain profitable in a highly competitive capital markets landscape, and we see this as just the beginning of a long run of new compliance requirements for banks.

In addition, data handling has become increasingly important and will continue to be a top priority this year. To ensure compliance with FRTB, and other regulations such as the standard initial margin model and the Markets in Financial Instruments Directive, banks will require a precise and powerful calculation engine, as well as modelling for trade and risk factors. In the past, loose approximations were not uncommon, but this is no longer acceptable. There is a need to look at the whole activity of the bank; this, in turn, requires instant access to a massive volume of calculation, which raises performance challenges for many banks.

Efficient cost management will be another key challenge facing banks. Banks today are aware that they need to streamline certain activities, focusing on strategic areas. They also realise the importance of investing in the correct technology today, in order to benefit from reduced total cost of operations in the future.

How can banks respond to these challenges?

Stella Clarke: Aligning short-term regulatory compliance needs with long-term performance objectives while keeping costs to a minimum is key. The importance of the correct IT infrastructure comes into play here.

Today, big banks are beginning to move away from the classical approach to technology systems where individual systems catered to individual business functions, to taking a platform approach to their technology requirements. This is a shift from the traditional silo approach, as banks realise that they do not have all the elements and they need expert external support.



Stella Clarke

Mutualisation is an appealing option; the benefits of this approach include significant cost and risk reductions for banks in the long run. Multi-bank technology and operating models enable smaller banks to access solutions that would otherwise be considered too costly.

One example is Bankdata, an IT service provider owned by 11 Danish banks that selected Murex's MX.3 platform in 2016 as a central service utility. The decision to rationalise on a single technology solution was driven by regulatory compliance requirements, as well as the need to reduce ownership costs. MX.3 offered all the functionality the bank required for its capital markets operations.

Over the coming years, what new technologies will help banks meet future challenges?

Stella Clarke: From a client perspective, new technology provides fresh ways through which clients can optimise the way they operate. However, there are often misconceptions around new technologies, particularly in discussions surrounding the cloud and blockchain. Therefore it is important to look at the possible underlying usage of these new technologies.

Harnessing new technology is a logical step for financial institutions that are looking to control costs. Cloud technology will allow clients to leverage the full power of the MX.3 solution without paying the full infrastructure cost. We also see that the rise of blockchain is an important development that will impact how both banks and technology vendors conduct business in the future.

In the financial market today, what are clients demanding from their technology vendors?

Stella Clarke: Murex is aware that regulation will have a very significant impact on our clients. Our comprehensive MX.3 solutions have been developed to effectively support financial institutions as they navigate the challenging capital markets. From a client perspective, it is all about credibility. If they believe we have a solid offering that will adapt and grow with changes in the market, they will decide to make the long-run investment in the MX.3 platform.

An important step Murex has taken to help our clients is to partner with expert integrators. We are very aware of the importance of reliable integration partners in helping clients to meet the challenges in today's capital markets. There is a strong need for highly specialised integrators to ensure the success of complex transformation projects.

Anticipate, Comply, Perform.



Today financial institutions need to anticipate the impact of regulation, comply with fast-changing requirements and improve business performance. Murex award-winning technology platform helps solve these challenges.

Market Risk Technology
Vendor of the year.



Overall #1 Top Technology Vendor
for the 4th consecutive year.



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