

Client Clearing

The Requirement

Our client, a G14 bank based in the UK has an established OTC Client clearing business within their Prime Services group. To improve the service in this division they needed to implement a cross-asset messaging and connectivity platform, which was completely separate from their existing multiple primary trading systems. One of the key requirements of the new platform was the ability to handle rapid deployment of new connections to external clearing houses without the need to build multiple point-to-point connections. In addition to this it was also imperative that the bank was live on two platforms before the end of 2011, specifically in the US marketplace – LCH FCM II for Rates and Ice Clear Credit for Credits. Multiple new connections for Europe, US and Asia were also planned.

After an extensive selection process involving 14 vendors and some in-house options, MA was chosen as the preferred vendor based on the following criteria:-

- Deep domain knowledge in OTC messaging and clearing processes
- Our ability to provide a harmonized messaging layer for the bank which insulated it from the multiplicity of external formats and clearing work flows
- MA's proven underlying translation, validation and orchestration components were considered best of breed and were already deployed enterprise wide in Tier 1 banks
- The rules base solution ensured we were able to deliver new connections much faster than the alternative options considered

Key Business Drivers



Project delivered in record time

Following the RFP we were asked to complete a proof of value during the month of September 2011. This comprised of installation of our software within the bank's infrastructure and configuration of two new connections – LCH FCM II and ICE Clear Credit. Within three weeks of receiving the technical documentation, Message Automation delivered configurations for both new connections and passed the necessary certification requirements. Following the integration of **futureLANDSCAPE** within the bank's infrastructure and a short period of user testing and LCH certification, they were live and ready for the launch of the new FCM II service on 5th December 2011.

Risk mitigation

The bank has subsequently implemented new connections for CME Rates and Credits (US and Europe), LCH harmonisation, Eurex, SGX and HKEX. Due to the flexibility of our architecture, the incremental effort on behalf of the bank has been minimal. The bank achieved its objective of decoupling messaging and connectivity from its trading and settlement systems in record time - enabling it to meet external deadlines with minimised project risk. With our systems in place, the bank has been able to implement a full STP into internal systems as a separate project stream.

The Benefits

The bank has significantly enhanced its ability to attract and retain clearing clients by being able to provide end clients and prospects with a wide choice of CCPs through which to clear. Having the flexibility to add new CCPs and asset classes promptly was also a crucial factor in their selection criteria - enabling the bank to clearly differentiate itself against the competition. For example, MA was the first vendor to be certified on the new Eurex OTC clearing service. The bank has also been able to control costs, avoiding expensive change and upgrade to major derivatives trading solutions by externalising the connectivity challenge.

About Us

Message Automation is a specialist company completely focused on assisting organisations improve the efficiency of their OTC derivatives processing since 2003. Our clients include several tier one investment banks and buy side firms.

www.messageautomation.com

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