

Front Office Trading Support

Client: European Bank

Consulting area: Shared Services

Business areas: Quantitative Modelling, Risk Management

The client is issuing and trading a large number of exotic structured products to both private and institutional investors. This was leading to continuous challenges with trading system implementations regarding theoretical valuation, risk management, profit calculations and quoting functionality. The client constantly experienced the front office trading system as the bottle-neck when developing and issuing new products. Mindwell was contacted and asked to provide specialists stationed on-site next to the traders in order to deliver system support within the minute.

Business Challenge

The client's structured products operation had evolved over a long time and had grown into a very profitable but challenging business. A great trading and structuring knowledge had been developed over the years and a large dedicated team was generating creative new ideas at an impressive level. However, the departments experienced a shortage of business oriented system support and were not able to represent new instrument structures as well as implementing valuation functions, risk frameworks and P&L calculations within a reasonable time frame. This was constantly leading to delays when issuing new products in a highly competitive market. Over the years, this had also led to that products were traded without proper system adjustments, leaving the client with P&L and hedging issues for a significant number of portfolios. Mindwell Financial Engineering specialists, trained in quantitative finance as well as specific trading systems, were stationed on the trading floor in order to be a constant and reachable source of knowledge.

Our engagement

Mindwell's engagement started with an analysis of the current situation aiming at identifying current problem areas. Interviews were held with traders, quantitative analysts and risk managers and highlighted issues were structured and prioritized. The following main tasks were solved over the next upcoming months:

- Development and implementation of new risk frameworks for displaying Credit- and Interest Rate Sensitivities (spread calculations, implied default probabilities etc)
- Fine-tuning P&L for several different Interest Rate Products
- Developing routines and tools for cash-flow re-investments in Interest Rate Products
- Providing tools and concepts for traders to fit forward rate curves to market benchmarks
- Developing tools for pricing credit exposed cash-flow instruments by using market CDS quotes.

- Construction of simulation environments for sensitivity analysis and stress-testing analysis.

After solving current issues, the Mindwell specialists took roles as both hands-on consultants on new tasks as well as system advisors to managers and key persons within the organization. The business oriented specialists are working close with traders on a daily basis and are ready to assist on both current functionality as well as providing ideas and new solutions on business related constraints.

Client benefits

Mindwell's presence on-site has solved system issues which have been disturbing the client's core business for a significant time. By solving current issues, the specialists have developed an understanding for the activities ongoing within organization. They have worked with a large number of people in different departments and have become a natural source of knowledge to both trainees and experienced client employees. Mindwell's expertise has been shortening lead-times when issuing new structured products as well minimizing maintenance work and operational risks.

Further information

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