Murex: Funding

Murex Funding

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Traditional values. Innovative ideas.

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nXt
Thinking. Solving. For the future

CORPORATE AND
INVESTMENT BANKING

Currently in Market Risk

1. The risk measure that is used for risk is MV + FC
2. Funding is from chameleon TS account on an actual basis
3. Attribution process is a customised process compared to what other clients do
- Past cash not in MX
- Commodities – physical deliverables

Funding Methods to be enabled in Murex

Funding to be done on a waterfall basis in the following order:

1. Matched funding
2. Position funding
3. Residual Cash funding (Murex's equivalent of TS accounts)

Market Risk Changes as result of funding phase

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1. Change in risk measure of MV + FC to MV + FC + PC

This aligns with how the other clients at Murex calculate risk – customisations that were Introduced during the Market risk phase will be removed to facilitate this.
Past cash true up will happen to set the PC to the corrected TS account balance.

2. PNL Attribution

Starting to use Murex's native attribution processes rather than processes that we have customised currently (EOD)

Market Risk Changes as result of funding phase

3.   Residual Cash being done on a theoretical basis

Murex have indicated that this has been one of the issues that has resulted in many deviations from their other clients (A lot of detail around this will be explored during design)

4.   Based on the above point, the corrective trades process will need to be reviewed

Do we still need this or will it have to be tweaked?

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5.   Splitting of risk runs

With Murex being the Market risk engine for the entire organization, there will be variations of residual cash funding used across the group (so IBD will still have TS accounts until they move to their ultimate funding solution). So we will have a combination of risk approaches across the group – everything that I have said previously is true for Markets but other areas of the group will need to look more like what they are today

1. Differences in theoretical flows (failed trades)
2. Impact of above in cash balance and what that means for risk, interest and cash balance
3. Past cash and how this gets looked on a portfolio/trade basis for the design sessions
4. Commodities – physical flows and their change in valuation for the attribution process
5. Funding on past dues

Stream View

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FO
- Past cash reconcilliation and liasing with FO
- Testing of processes around funding
- Changes to LB

BO/Integration
- stop generating funding msgs and sending out
- looking at the new trades generated and what needs to happen with them

Finance
- Recon control fabric and testing all of this
- IM testing
- Determining the right funding balance

Stream View….Continued

Architecture

- Design of control fabric changes (other than IMs)
- Business and support model around this
- FO vs BO recon

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Questions