

## Case study

# Verasis Risk

Delivering clarity, consistency, transparency and cost effectiveness to multiple Risk and Regulatory business processes. All within a single system.

Our client is a mid-sized European bank with offices in multiple locations across Europe and the USA. They had enjoyed a sustained period of growth which created a demanding environment for the Treasury Business unit evidenced by:

- Increased volumes of trades
- Greater complexity of trades in both the retail and wholesale businesses
- Interaction with more markets – business and geographical
- Introduction of additional trading and market data platforms

#### Verasis Risk and Verasis Platform

Verasis Risk and its host architecture framework, Verasis Platform, are a range of applications designed specifically for the banking and finance sector. They facilitate the rapid development, management and run-time of computer-based applications.

The Verasis Risk application is highly efficient in that it enables financial institutions to meet increasingly complex and stringent regulatory and compliance requirements. It also fully supports the business processes of numerous functional areas.

The principles of enterprise architecture and enterprise risk management have been fundamental to the development of Verasis Risk and Verasis Platform.

Consistent with these principles, Verasis Risk delivers confidence and cost efficiencies to the enterprise. It does so by managing risk and regulatory business processes within a single system, while also combining latest technology

standards with full and tailored support and system administration.

#### Verasis Risk 'live' at the Bank

Our client has been in production for a number of years with several critical middle and front-office modules. These include:

- Value at Risk
- Hedge effectiveness (IAS39) compliance
- Interest rate risk
- Asset and Liability management
- Mark to Market

At the same time, the bank's drive for expertise in its business, coupled with remarkable growth and shifting financial regulation, has created a professional, dynamic and proactive environment where change and flexibility are assumed to offer a strategic advantage.

Verasis Risk was selected and implemented to meet a number of the ongoing demands of the Treasury Business unit. It provides the bank with several application solutions as detailed above, all from within a single platform. This is providing accuracy, transparency, consistency and efficiency across all of these applications.

#### Applications and testimonials from within the Bank:

##### Verasis Risk: VaR

This module combines a powerful valuation engine with a highly normalised data structure and fully flexible report profile generator. This provides a fast and

flexible Historical Simulation/Monte Carlo-based VaR solution. The VaR module supports

- A full range of linear financial instruments and a wide range of vanilla and exotic options
- Multiple risk entities, confidence intervals, holding periods, and history periods
- Risk factor isolation (interest rates, FX rates, volatilities)
- Scenario mirroring
- Automated back-testing
- Holding period Theta

#### Senior Manager, Group Market Risk

"The Bank implemented a 'co-VaR' based VaR system some years back. We wanted to incorporate VaR-based analysis into standard daily internal and external risk management routines. Increased and increasing activity in financial instruments with optionality, more diverse market coverage (product and geographic), and 'co-VaR' market data issues meant we had to look for an alternative methodology to satisfy our VaR-based risk assessment requirements.

"We implemented Verasis Risk to produce internal VaR calculations and have now been publishing VaR analysis internally from the system for a number of years.

"The flexibility of the reporting functionality, the product breadth and the limit functionality allow us to produce

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'desk and enterprise level' VaR analysis that is integral to the day-to-day risk management of desks in the treasury environment.

## Verasis Risk: ALM and Banking Book Analysis

The Verasis Risk Asset and Liability Management module provides financial institutions with a powerful, efficient and flexible tool which enables them to:

- 1 Combine retail/corporate assets and liabilities with the financial instruments that fund and hedge them
- 2 Analyse the Market Valuations and Interest Rate Risk in the Banking Book (IRRBB) using standard and non-standard yield curve rate shocks

The application combines the Verasis Risk valuation engine, the Verasis Risk reporting engine, the retail balance profiling function, with standard analytical processes and reports. It provides a daily 'online and on-demand' Asset and Liability Management solution.

## Senior Manager, ALM and Liquidity Management

"Within the Bank, Treasury Risk was looking to develop its Asset and Liability business area. The remit was to:

- Leverage the output of some complex Asset and Liability modelling functionality (developed within the Bank)
- Replace and automate a series of manual functions, tasks and routines
- Provide a more regular and standard analysis of retail asset and liability groups, against the corresponding funding and hedging portfolios:
  - Gapping analysis to facilitate cash flow and funding requirements
  - Interest and spread analysis for better performance and forecasting

- Sensitivity/Delta across standard market points to facilitate hedging/risk mitigation
- Stress testing, using standard and non-standard shocks to provide additional depth to the analysis of both IRRBB and valuations (trade and book)

"We spoke to Verasis about these requirements and a project was initiated to combine standard financial analysis techniques with our bespoke business functionality which has since been embedded within Verasis Risk and is in production at the Bank.

"The application provides both the dealing room and the risk department full and flexible analysis on a daily basis. It shows all our Banking Book interest rate risk positions on a nominal basis, with associated average rates. More importantly, it drives our basis-point sensitivity and mark-to-market reporting on a daily basis.

"The system interfaces trades and accounts from four trading/banking systems along with market data (used to produce base- and shifted-scenario yield curves)."

## Verasis Risk: Treasury IT

### Head of Group IT

"Meeting the functional business requirements is often just the first hurdle of the software acquisition/commission process. Technology, administration, support and costs are some of the other aspects considered. By combining a number of solutions into a single environment, Verasis Risk reduces the number of applications that our IT department maintains and supports. The benefits of this are obvious."

The Verasis support and maintenance process leverages modern IT and

communication facilities to ensure rapid and effective response to test, implementation and production issues. The support and maintenance infrastructure includes wizard-based security and systems administration, automated error capture and information gathering, remote administration, FTP (File Transfer Protocol), and VOIP (Voice Over Internet Protocol).

Verasis Risk does not require any application specific hardware or software. It sits efficiently and effectively on standard Microsoft network, operating system and database combinations and takes full advantage of the latest .net development framework.