Project Profile: Internal Risk Models

Business Situation

An Investment Bank pushed ahead with the implementation of processes and components to calculate and to simulate the market risk exposure of the investment banking business according to internal risk models.

The client already had an infrastructure in place where all transactions were extracted from the source systems, normalized and stored in a central Data Warehouse. The objective of the project was to implement Algorithmics standard packages for the simulation and reporting of the market risk and to define and to implement respective interfaces for transaction, market and security information.

The bank intended to use the database solutions of the project for future reporting requirements, such as regulatory reporting, credit risk and other categories within finance.

The Role of Masfin Consulting

Masfin Consulting was entrusted with analysis, design and implementation of the aforementioned interfaces with main focus on the transaction interface. The activities encompassed:

- Analysis and definition of the requirements of the internal risk models and the Algorithmics Software, including mapping of financial instrument catalogs across various markets, setup of categorization schemas, classification of the information in transaction, market and security related information categories.
- Mapping of the detailed field requirements to the Data Warehouse, gap analysis and recommendations for the gap resolution
- Implementation of prototypes for functional and performance tests.

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Benefits of the solution

The main benefits of the solution were:

- Well-defined interface between the Data Warehouse and the Algorithmics standard software
- Integration into the existing environment
- Availability of a working prototype in a matter of weeks, having integrated Algorithmics for a large financial product catalog including equity, money market, foreign exchange, interest rate derivatives and fixed income
- Availability of a departmental financial data mart as one result of the project.

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