



Fractal:Edge Enterprise Products Customer Case Study

Equity Market Risk Management Team Improves Analysis of Key Exposures

“I have come to rely on Fractal:Edge.”

Head of Equity Market Risk Management, Major Investment Bank

Challenge

To understand the exposure the bank faces at any time it is necessary to consider the impact of various scenarios of market, interest rate, currency and volatility movements. Given the breadth of the company's operations, there can be at any one time tens of thousands of open positions which can change rapidly depending on market opportunities and client flow facilitation. These positions will be spread across underlying cash business and derivative products in all major markets globally. As a result there are millions of individual risk points which need to be considered and several ways of thinking about the accumulation of risk as well as a range of different risk measures.

There is also significant time pressure to understand and anticipate likely issues quickly enough to act before adverse market movements cause unacceptable losses.

Previously the risk managers were retrieving small slices or summaries of risk with a flexible but ultimately limited query engine with each query requiring a new database request and multiple queries being required to gain even a partial understanding of important areas of risk and their drivers.

Solution

The risk data is condensed into a set of Fractal Map views that provide each risk manager with a complete picture of risk exposures immediately. Due to the volume of data, Fractal:Server is employed to process these views on a scheduled basis, and users are equipped with Fractal:Intelligence to optimize their interactions with these views and the underlying data.

Fractal:Edge visualization technology enabled massive acceleration of the risk review process. The simultaneous macro and micro views that Fractal Maps provide build

confidence that all patterns, trends and outliers have been spotted.

From an initial deployment on the desks of a few market risk managers, the bank has subsequently deployed Fractal Maps on more than 50 risk managers', traders' and line-of-business executives' desktops in New York, London, Tokyo and Hong Kong.

The Head of Equity Market Risk Management says: “Fractal:Edge technology is immensely powerful – literally hundreds of thousands of rows of data can be understood at a glance. Fractal Maps are truly revolutionary for market risk management and we are now looking at several other areas where the volume and dimensionality of data makes a new approach essential.”

Results

The technology has significantly boosted the value of the existing market risk data. In particular the software has led to:

- Dramatic reduction in the time taken to appreciate significant risk accumulations – giving traders more time to deal with the issues
- Greater confidence that all significant accumulations and individual risks have been identified
- Better summarization, unattainable with other calculation engines, so accumulated values represent actual risk more accurately
- Increased uniformity of information available to all parties around the world with knock-on benefits for communication between team members

Payback on the investment was achieved within days when one unacceptable position, which would have been missed with the previous reporting framework, was spotted in time to avert a significant P&L swing.

Fast Facts

Customer: Major Investment Bank

Number of Employees: Over 50,000

Country or Region: Global

Customer Profile

The customer is a leading bulge bracket investment bank with a long history of successful principal risk-taking and client facilitation in global equity markets.

The market risk management team within the equities division are responsible for ensuring that individual and aggregate risks do not exceed pre-defined limits. They also inform ongoing decisions on risk appetite by examining and understanding emerging patterns of exposure.

Software and Services

- Fractal:Server™
- Fractal:Intelligence™ Reader & Enterprise
- Fractal:Edge™ Consulting Services

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