

RISK ANALYTICS

REGULATORY CAPITAL VaR AND STRESS TESTING

- **Critical Problem to Solve:** Legacy Risk System Processing Loads and Outdated Analytics Demand World-Class Rewrite
- **Services Experience:** "Users were delighted with the very fast response time and features of the new system"

ABOUT CAPAX ALPHA

At Capax Alpha, a division of Capax Global, we specialize in meeting the specific needs of Hedge Funds and Alternative Investment companies. Our clients benefit from access to Capax Global's extensive network of over 700 of the world's best innovators, people who happen to be great with harnessing complex technology to serve business. We provide end-to-end solution delivery of whatever you need to make IT successful, including solution engagements that support product deployment to your custom requirements, application hosting, and technical staffing solutions.

THE CAPAX GLOBAL DIFFERENCE

As a Capax Global division, you can expect the best from Capax Alpha. We offer the best technologists, the best business acumen, and the best consulting methods – so you obtain the best business results possible from consulting services.

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CAPAX ALPHA DELIVERS



BUSINESS REQUIREMENT

Major Global Bank required its legacy risk management system to be redesigned to better manage Value at Risk (VaR) among its many subsidiaries. The legacy market risk system lacked the ability to optimize the bank's VaR distribution among its subsidiaries for regulatory capital purposes. The legacy system also suffered severe performance problems intra-day due to late and/or invalid incoming data feeds. The bank intended to significantly improve its competitive profile by leveraging more sophisticated modeling and database technology in a new risk management system.

THE CAPAX ALPHA SERVICES SOLUTION

Capax developed an innovative database architectural design for the bank's risk management and regulatory capital reporting. A key technical innovation was the database replication strategy that successfully offloaded the primary system servers for intraday trading and risk analysis functions. This allowed the application to manage positions from more than 2000 books ingested from 20 different trading systems in the US and UK for Regulatory Capital reporting. The replication system calculates VaR for over 5,000 risk factors and more than 40 stress and disaster scenarios daily with no performance degradation.

Capax also designed a comprehensive suite of Risk Management client tools that provided users with the ability to see risk at any level from the Position to the topmost Firm level numbers. The application dynamically aggregated data at any user-specified grouping level including horizon, confidence, legal entity, product, risk category and source trading system. This provided users with the ability to model VaR factors easily among legal subsidiaries and derive allocations that minimized regulatory capital requirements.

The new system also provided users with the ability to fix trade breaks and do copy forwards when necessary. Capax also created online reconciliation tools that allowed users to compare risk side-by-side day-over-day. With this facility users could quickly identify significant differences by drilling down to any level of the Business Line Hierarchy and comparing VaR (including marginal VaR) or stress. Other client tools calculated statistical data such as Standard Deviation, Mean and Kurtosis, and provided the ability to export data directly to Excel or other desktop tools from anywhere within the client application.

Find out why 400 of the Fortune 500 have relied on our team for their Enterprise Content Management, Microsoft, and Information Management requirements.

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