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## Technology provider of the year

### Misys

> Misys was one of the first companies to create an application specifically to handle the demands of structured products from pricing through to processing and risk management. Developed as an extension of its successful Summit derivatives trading and risk management system, the Multi-Underlying Structured Trade (Must) application was designed with the flexibility to accommodate whatever variety of structures and underlyings that market innovation would throw up. Now used by over 30 institutions worldwide, Must continues to evolve and has become a strategic tool for some of the organisations at the forefront of structured products in Europe.

Flexibility is the essential characteristic that Germany's KfW Bankengruppe, which provides funding for housing, business, export and development, looked for in choosing a tool to support its structured products business. The bank is in the challenging position of developing structured products only on demand from its clients. It does not have the luxury of choosing what structures it might like to create, nor any continuity of product line, or indeed any foresight into what might be asked of it next, says Holger Brinkhaus, vice-president, business research at KfW.

"If we issued product for ourselves it would be easier because we could control [the structures], but KfW only issues on demand," says Brinkhaus. The bank has to act quickly on clients' requirements, which can entail complex structures that might combine power reverse dual currency swaps with snowblades (target redemption notes where the coupon of the period is linked to the previous one) that are callable and puttable. Every deal has its own characteristics and it would not make economic sense if each one required system development time. "So we need the ability to capture all the products we develop directly in our system," he says.

While Must could handle many of the components of KfW's structures, it did not have the depth of support for bonds required by the bank, which, as one of the largest borrowers worldwide, issues bonds in a wide array of currencies and structures. So over the past year, Misys has worked with KfW to develop the Must in Bonds module, which will enable users to bring all bond-based structures into the full workflow and position management of Must. "This has been a strategic project for



Dan Cohen, Misys

us and fills an important gap," says Brinkhaus. The new module has enhanced position management for bonds, plus call processing, capital gains and yield processing and the ability to mark against a quote price.

Another development of Must that is important to KfW, as well as a number of other users, is the full integration of the NumeriX pricing libraries into the system, which Misys is currently undertaking. Meanwhile, the company has also recently added credit to the underlying asset classes (which include foreign exchange, equity, interest rates and mortgage-based derivatives) that Must will support. In fact, Misys used Must to re-engineer its Summit credit derivatives module.

In addition, Misys has added to Must the ability to create 'screen wrappers' for complex structured products. These are user interfaces that present

a simplified trading screen containing only essential parameters and information while hiding the full complexity of a product underneath.

"Not everyone is a quant and understands all the details of a structure, so by presenting a simplified view, it avoids confusion and can reduce mistakes, thereby reducing operational risk," says Dan Cohen, product manager, Misys Summit, Misys Treasury and Capital Markets. However, the full product detail remains accessible to authorised users who can switch to the conventional screens.

Another step ahead has been the development of functionality to handle affirms. "One of the key challenges faced by our customers is how to get an affirm for a structured product," says Cohen. "We have developed an automated template system that works with Microsoft Word to produce the documents and handle the workflow involved with sending and receiving affirmations. This avoids the need to purchase a separate system to do the task."

In addition to its major Must clients, such as HSBC, ICBC in China and Fannie Mae in the US, Misys has in the past year signed Kazkommertsbank, the largest bank in Kazakhstan, and Gnpur, an Iceland investment company. Four clients, which Misys would not name, now use Must on an application services provision basis where Misys hosts the system for them and deals are priced and processed online.

Misys was one of the first vendors to create an application specifically to support structured products, and since then the firm has kept up with the requirements of some of the most demanding users. ■