

# Case study

## Strengthened trade controls of a global investment bank



### About the client



The equity derivatives trading desk of a global investment bank required support to address weak front office governance, incomplete product approval workflows and trade migration errors to improve profitability and ensure regulatory compliance.

### Our solution



We enhanced the front office trade controls of the equity derivatives trading desk to prevent, detect and remediate risks before those reached the middle office or other downstream functions.

Over 20 months, our eight-member techno-functional team designed and implemented a robust framework, comprising pre-trade, trade execution (T+0) and post-trade controls.

### Implementation phases

Phase 1	Phase 2	Phase 3	Phase 4
<b>Analysis of current set-up</b>	<b>Plan and design</b>	<b>Development and rollout</b>	<b>Enhancement and support</b>
(2 months)	(+3 months)	(+12 months)	(+3 months)
<ul style="list-style-type: none"> <li>Controls gap assessment</li> <li>Process mapping of trade lifecycle</li> <li>Policy assessment</li> <li>Regulatory benchmarking</li> <li>Identify and agree with the COO team on controls in scope for subsequent phases</li> </ul>	<ul style="list-style-type: none"> <li>Target operating model of various controls</li> <li>New design architecture</li> <li>Updated policy documents</li> </ul>	<ul style="list-style-type: none"> <li>Enhancements to current tools</li> <li>Creation of dashboards and alert mechanisms</li> <li>Development of a rules engine</li> <li>Implementation on the equities desk</li> </ul>	<ul style="list-style-type: none"> <li>Expand functionalities as per new requirement</li> <li>Provide inputs to support functions</li> </ul>

### Team size and skillset

<ul style="list-style-type: none"> <li>1 Project manager</li> <li>2 Business analysts</li> <li>2 Developers</li> </ul>	<ul style="list-style-type: none"> <li>1 Project manager</li> <li>2 Business analysts</li> <li>4 Developers</li> </ul>	<ul style="list-style-type: none"> <li>1 Project manager</li> <li>2 Business analysts</li> <li>5 Developers</li> </ul>	<ul style="list-style-type: none"> <li>1 Project manager</li> <li>1 Business analysts</li> <li>2 Developers</li> </ul>
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Team composition:

Onshore Offshore

### Pre-trade controls comprised:

- Product approval mechanism for new payoffs, approximate bookings, new underlyings, etc
- Trade limits with alerts and notional caps by region, product, tenure, trader and counterparty
- Model and trade capture template accuracy and completeness
- Trading platform and data readiness to trade

### Trade execution controls involved:

- Trader booking vs structurer payoff, with independent verification
- Term sheet generation with all parameters
- T+0 booking review through Parser, which includes:
  - Reconcile term sheet vs booking system
  - Parameter completeness checks
- Real-time enforcement of Greeks limits

### Post-trade controls involved:

- Daily unexplained P&L threshold limits
- Corporate action management
- Monitoring of barrier hits, early termination events
- Trade migration between portfolios and regions

### Also, the following policies were reviewed and updated:

- Front office trade controls policy
- New product approval policy
- Corporate actions policy
- Exception management SOP
- Trade migration policy (created)

### Technology enablement

#### Rules engine



#### Dashboards



#### Exception workflow tool



## Client impact



We delivered significant, measurable improvements to the bank's trade controls:

#### Enhanced preventive controls

60% reduction in T+0 valuation errors, 30% reduction in booking errors on T+0, and achievement of key performance indicator targets

#### Improved the monitoring and alert system

Timely monitoring of controls by the COO team, with dashboards and alerts

#### Strengthened governance

The COO team was able to follow up on and resolve all audit points and meet the regulatory requirements

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