

Syn~Reference

Mitsubishi UFJ Securities International plc (MUSI) uses **Syn~Reference** to manage enterprise-wide counterparty reference data, improve STP and reduce risk.

Challenge

How to increase STP by reducing manual intervention and trading risk caused by inaccurate counterparty reference data.

Background

Inaccurate, inconsistent, and incomplete reference data is frequently cited as the major causes of failing to achieve STP. Even where processes are automated, 30 per cent of transactions on average will fail due to bad data (Tower Group study 2002), costing the mid-sized broker-dealer around \$1.4 million each year, according to Dr Anthony W. Kirby, Secretary - Reference Data User Group.

Mitsubishi UFJ Securities International plc (MUSI) is involved in capital markets businesses including structured finance, equities, fixed income products, derivatives, exotics and new issues.

The equity brokerage side of the house provides access to European securities markets for its Japanese clients and access to Japanese markets for European clients. The Japanese way of doing business requires absolute accuracy in their dealings, which makes achieving STP particularly challenging. Typical market practice in this most meticulous sector is to check everything – not just the exceptions. However, MUSI has successfully moved from zero to 95 per cent STP for cash equities. Implementing **Syn~Reference** from Coexis for automating the management of counterparty reference data is the bedrock which supports such a high degree of hands-free processing and will help MUSI to comply with the forthcoming Basel II Capital Adequacy requirements.

Like other institutions, MUSI has felt the effects of squeezed margins, regulatory controls and difficult economic times. Business is harder, cost-cutting relentless, trades more collateralised and the pressure to tightly manage capital and corporate risk is more intense. In addition, globalisation, mergers, acquisitions and business failures increase the diligence required to track and manage reference data of counterparties.

Key benefits achieved by MUSI:

- ~ From zero to 95% STP
- ~ Capital and corporate risk managed more effectively
- ~ Reference data management automated

The Solution

When MUSI entered the Japanese equity market in 1999 what had been a technology-driven interest in Coexis's business process, rules and model-based application was, according to MUSI's managing director of operations and technology, Don Simpson, "hijacked by the business need" because MUSI also saw that a solution could be configured relatively quickly.

He continued: "There's a choice of software packages that can do the simple bits but it's processes not data that lie at the heart of managing changes to static reference data. It doesn't matter where you are in the life cycle of a trade process, static data touches everything. It's pervasive. Until now managing and monitoring the changes has been a people-centric task to avoid trading without checking that the proper lines of credit exist and are approved."

Coexis was able to demonstrate that the radical business process and workflow based design of **Syn~** and its underlying transaction engine offered the perfect foundation for ensuring that everyone sang from the same up-to-date and accurate reference data hymn sheet.

Syn~Reference was configured with soft and flexible rules and processes by Coexis. It now manages static data right across MUSI's business from equities to credit approvals, providing the 'golden copy' of all data relating to counterparties, which is used by front-office, compliance, credit, operations, and risk systems across the company.

Syn-Reference drives people to do the right thing, by facilitating a control mechanism for mapping the counterparty structure, relationships and trading histories onto the business.

With complex deals which stretch over long time periods, such as a 30 year swap or 10 year forward foreign exchange deal, the chances of changes in ownership of counterparties is high, as is the risk, therefore, of being in breach of regulatory requirements. In the past MUSI relied on the compliance department to keep that static data up-to-date.

With **Syn-Reference**, the golden copy is stored centrally but used locally and personalised to the needs of individual users and other third party and in-house developed applications. As well as the reference data itself, business processes are created which define how **Syn-Reference** manages, stores and routes reference data and modifications; instigates other processes or requests authorisation or human intervention. This 'modelling' approach to data ensures that the system adapts and changes to both shifting business and IT needs. When any user updates a piece of reference data, **Syn-Reference** ensures that the changes are then available to all other systems that also use it.

Benefits

Don Simpson, Managing Director of Operations & Technology at MUSI, says: "In today's low-margin market, keeping static data up-to-date makes the difference between surviving and making a loss. By 2004 a business imperative is to be able to accept 50 - 60 per cent of our instructions directly from clients electronically, which will be settled automatically without ever being touched. **Syn-** will enable that over time and puts us ahead of many competitors."

MUSI's front office traders also benefit from the accurate data. Any changes instantly permeate

"We make the best use of available capital."

*Don Simpson
Managing Director of Operations & Technology
MUSI*

through to their systems minimising the danger of exceeding trading limits and thereby reducing corporate risk.

Once **Syn-Reference** was implemented, MUSI also turned on the **Syn-Settlements** functionality for back office operations. The combination of the two resulted in the 95 per cent STP. But Don Simpson also observes: "**Syn-Reference** has also provided us with a platform for increasing volumes five or tenfold without requiring an increase in staff. When the ultra-short termism of the current climate begins to lift, and we are seeing signs of that, we expect to extend the use of **Syn-** to other areas of the business."

Syn-Reference copes with continuous change. The technology has inspired MUSI. "One of the biggest benefits is the way we use information in **Syn-Reference** to populate our central transaction warehouse. All processes are done once, the consequences of changes go everywhere and we have been able to enhance our risk processes enormously," continues Don Simpson. "We have to have accurate data throughout the bank otherwise we will not achieve 100 per cent STP nor meet the Basel II Capital Adequacy Accord. **Syn-Reference** helps us to map counterparty relationships, understand our exposure to these organisations, keep track of trading histories and changes to credit limits which means we make the best use of available capital."

Driven by initiatives such as Basel II and greater regulatory control, managing reference data has moved up the boardroom agenda. "The management of reference data is so relevant in this space and something that we could not address with traditional software methods," says Don Simpson. "The fact that we have been able to achieve such a high level of STP and automation of such complex, manual processes under the scrutiny of a Japanese bank speaks volumes for **Syn-Reference**."

Note:

Syn- is a new type of software product designed to meet transaction-processing requirements, primarily for participants in the Global Capital Markets.

Syn- provides the core transaction execution engine and industry best-practice business processes, rules and components used to deploy **Syn-** applications.



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