

# Best Risk Management Technology Achievement



Kate Sharland, company director, Finiti Search, presented the award to Mark McKee, EMEA FX development manager, Bank of America and Neil Bartlett, chief technology officer, Algorithmics.



## Bank of America Integrated Credit Engine

Over the last 10 years many banks implemented multi-step Monte Carlo methods on an end-of-day, post-trade batch basis to calculate counterparty credit risk. Banks have for many years wanted to use this same methodology for pre-deal limit checks in the front office but have not been able to deliver the sub-second response times required by the business.

Bank of America took this challenging problem and raised the ante considerably. Not only did it want to use full Monte Carlo simulation for pre-deal limit checks, but it also wanted to use the methodology for high volume FX products traded through e-commerce channels with no human intervention, where the pre-deal credit exposure calculation and credit check must be completed in less than 20 milliseconds.

The result was the BoA Integrated Credit Engine, incorporating analytics from Algorithmics, a real-time central credit engine that maintains a trade-by-trade view of the credit exposure and settlement exposure of the bank's counterparties. Credit exposure is measured using multi-step Monte Carlo-based simulation using the exact same methodology for scenario, time, collateral, netting, and give-up modeling as employed by BoA middle-office. The engine allows the bank to perform the highest quality exposure calculation and credit check of a potential trade prior to the trade execution with no compromise in trade execution time.

The system, used by traders, risk managers and indirectly by eCommerce participants in EMEA, the US and Asia, delivers scalable real-time pre-deal checking, intraday reporting on the credit status of a counterparty, as well as real-time feeds to the traders' desks. The system interfaces directly to the bank's e-commerce platform to provide realtime pre-trade credit checking for e-commerce.

*“Integrated Credit Engine is a real-time central credit engine that maintains a trade-by-trade view of the credit exposure and settlement exposure of the bank's counterparties.”*

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### Highly Commended

#### Arab Bank – AML Monitoring System

In part due to its implementation of its AML solution, Arab Bank continues to serve as a role model for financial institutions across the region, demonstrating leading regulatory compliance and AML practice.

#### Standard Chartered – Limit Trade Port System

Limit Trade Port is driving extensive benefits for Standard Chartered's clients and the bank by providing it with excellent control on risk in a constantly changing credit environment.