

## Success Story



# Credit: Independent Price Verification

**GFT gives clear direction to a high-profile and complex Credit IPV project, succeeding where a previous supplier had fallen short.**

### Achievement

GFT had already successfully completed the Equities IPV (Independent Price Verification) project when it was asked by the investment bank to establish an IPV Competence Centre and assume responsibility for the transition of a Credit IPV programme from an existing vendor. This involved GFT in planning and executing the transition for both production support and development of new projects.

The project was already suffering from a lack of clear direction when GFT took it over from the incumbent supplier. A high-profile project with changing requirements, there was need for more pragmatic approach to manage this uncertainty.

The success of this project can be seen in the bank's decision to award GFT the implementation of a further IPV system (rates business) and to involve the team in the building of a completely new system to integrate all the IPV activities in a business agnostic application.

IPV involves the comparison of a bank's prices with prices gathered from external, and thus independent, sources. Price valuation is often complex for long-term or exotic derivative products, as some products can only be marked to market by means of mathematical models.

In this instance, Credit IPV was being used by a global valuations group within the bank. It is an application that calculates and stores IPV variances for specific Credit finance products, mainly Bonds and Credit Default Swaps (CDS) however, it can also be used with

Asset Backed Securities (ABS) and other securitised products, as well as providing variance management and flexible reports for analysis and for official IPV submission.

### Benefits

Financial institutions know that incorrect prices mean inaccurate risk valuations, leaving the investment bank incorrectly calculating its risk positions and its profit & loss.

The successful completion of this project means that the bank has access to more accurate information and has thus improved its risk assesment provision.

GFT also delivered the following business benefits:

- Developments to adapt to IFRS7.
- Production support for daily manual activities drastically reduced and properly documented so that it can be easily handed over to SL1 and SL2 specific production support team. Decommissioned legacy screens based on .NET and migrated to strategic reporting tool Cognos also used in the Equities space.
- Promoted an operative model that facilities the prioritisation of both change the bank Book of Work and run the bank, maintaining users in the loop in a formal mode.
- Increased the knowledge of IPV across all businesses.

## GFT's Approach

GFT was chosen to manage this bespoke IPV application for the bank's Credit business because of its success in the similarly complex project in the Equities division. The Credit IPV project had new challenges however, as it involved the more demanding world of the front office.

Our first actions were to scope out the transition and establish a Credit IPV team. As in the Equities IPV project, GFT applied its extensive technical knowledge and ability to create skilled teams quickly. We ensured the use of best practices from the existing Equities structure, making certain that the knowledge assets held by these resources was retained. This also meant that the knowledge transfer processes were in place for the scoping phase and post transition.

GFT then took over ownership of the application for the delivery phase, identifying legacy systems to decommission and defining the Book of Work.

This project also delivered releases of the application, providing relevant reports to reduce manual activities, give significant performance enhancements and resolve production bug fixing. It has also been possible to roll this out to Asia/Pacific and New York.

The transition was completed within 3 months, as scheduled, and has since experienced no major issues or outages. The application running in production has also seen a significant increase of functionality and technology improvements.

## GFT Subject Matter Expert

*Miquel Febrer i Godayol, Programme Manager at GFT commented, "the Credit IPV project resolved a complicated supplier issue for the bank and consolidated GFT's credentials in the IPV space. We will shortly be participating in a completely new project to integrate all the IPV activities in a business agnostic application".*

*Guillem Fortuny, Project Leader at GFT said, "the professionalism we showed in managing the transition process has led to other projects being moved across to GFT from existing suppliers in the bank".*

## The Technology

Credit IPV is built on an Oracle database with a front-end running under WebLogic for user workflow and a Cognos solution for reporting. It loads a bank's Bond prices and Credit Spreads, price valuations (both end of day internal and independent) from the front offices risk and valuation application in the area. Credit IPV also loads independent Bond prices and Credit curves from the Financial Data Repository (FDR), which uses market data gathered from MarkIT (a leading, global financial information services company ) and

the Financial Times Interactive Data company (FTID).

FDR is the application that sources prices from most of the external sources and also provides the analytical services to construct the Credit Spread Curves. FDR does not have an interface with Bloomberg, so Credit IPV also loads independent Bond prices directly from Bloomberg by using a bespoke application programme interface. Credit IPV also loads an additional feed from MIS system (all official PVs) for testing completeness reconciliation.