

Technology innovation of the year

Misys Banking Systems



Bella Polsky, Misys Banking Systems

> There have been a number of technological innovations for structured products specialists in the past year. But some companies have been serving the industry for longer than others. As a result they tend to know what their clients really want. Misys Banking Systems can proudly place itself in this category. Its robust approach and commitment to become a leader in the structured instrument market prompted the development of Multi-Underlying Structured Trade (MUST) three years ago. The tool can now support any product ranging from plain vanilla products, to exotic derivatives and hybrids without additional programming. To ensure its product continues to stand out from the crowd, the Summit product group has plans to bring in more new features into MUST by anticipating users' needs and working on users' feedback.

Italy's Centrobanca, the investment bank of Banche Popolari Unite (BPU Banca Group), licensed the Summit MUST tool last year. According to Stefano Codarini, head of technology and operations at Centrobanca in Milan, not only does MUST provide easy access for traders, its front-to-back integration also increases transparency of transaction details. These details are first entered by the traders and can be accessed by the back-office team. The tool, therefore, helps to speed up delivery and to manage associated risks. In fact, MUST makes the handling of new structures as easy as any plain vanilla product, Codarini says.

"Our goal was to come to the market with an end-user-oriented approach, where the trader or the structurer can set up new products, thus to encourage the innovation and reduce the time-to-market of new products," says Bella Polsky, New York-based product director for Summit. "The whole philosophy of this product is to provide a tool of such capacity that its support would be limited only by a structurer's creativity."

The tool supports a variety of exotics in different asset classes. For example, it can deal with target redemption notes, callable range accrual notes and exotic equity-linked products such as Asian look-back options. The tool is also developed to handle more complex structures such as hybrids and those payoffs that are contingent to cross-asset barriers and credit events with or without embedded options.

According to Polsky, MUST's flexibility means that it can be fully integrated into Summit, which provides front-to-back support. This includes pricing, risk management, accounting, straight-through-processing, cashflows generation and documentation. Moreover, the tool offers almost unlimited possibilities in constructing financial instruments without additional programming. It provides access to different asset classes and it is formula-based, linking between MUST financial components.

What's more, there is no need to involve IT to create new products. "A new instrument type can be configured by mixing and matching 'building blocks' available out-of-the-box, and new parameters can be captured as variables, all of which are linked via intuitive formula mechanism. The end-user can configure the default behaviour for a particular instrument as well as the appearance of the trade entry screen," Polsky says.

HSBC, one of the largest players in the structured product market globally has also signed to use Summit MUST in Europe and Asia to process structured trades. The bank has been a customer of Summit for many years. The Industrial Bank of Korea has installed MUST for structuring and processing exotic products to handle the growing appetite of these products in South Korea.

To continue to meet the demand for structured product innovation, Misys has already planned to improve the MUST tool. For example, it plans to improve the "look and feel" of its tools, Polsky says, so users can define its proprietary front-end, linked with a particular instrument. The library of build-in functions is to be extended to enhance the list of instruments supported and there will be a library of pre-built instruments made available to the users. Misys also plans to develop MUST to support credit derivatives.

Why Misys won

Once in a while a technology company makes a difference to the life of traders, financial engineers, accountants and sales. The Summit MUST tool is one of the most popular solutions out there and continued innovation is assured, the company says.