

Technology company of the year, North America

Sophis



Emmanuel Fruchard, Sophis

> The structured products universe has undoubtedly become more complex during the past few years. Specialists have to deal with sophisticated products, many of which have multiple underlying structures. And for the ability to devise a solution fast enough to meet demand while minimising operational risk, many providers across the globe have turned to Paris-based risk technology company Sophis.

Sophis's Risque platform allows market makers to create new hybrid products and to bring them to the market straight away. The company has also actively expanded its client base in the Americas, echoing the burgeoning market development there. "One of the challenges faced by structured product solution providers is the ability to accommodate increasingly larger positions and more complex calculations," says Emmanuel Fruchard, director of fixed income and credit at Sophis.

Although other technology providers claim that allowing Excel to handle calculations would increase operational risk and decrease transparency, Fruchard says a compact all-in-one system reduces flexibility.

"Risque allows the use of Excel, and this way the trader benefits from the flexibility of Excel within the secured environment of a straight-through processing and audited system," he says.

Fruchard says Risque can differentiate between different groups of users. So when the calculations are manually adjusted, risk managers can keep track of the inputs. This way, operational risk is reduced.

Structured products heavyweight Royal Bank of Canada (RBC) Financial Group has recently rolled out Risque in New York and Toronto. RBC uses Risque for its global equity derivatives business, which covers a wide range of equity swaps and exotic options.

As the sixth-largest financial institution in terms of assets in the US,

and with a captive distribution network, RBC dominates the fast-growing Canadian structured products retail market along with a handful of other distributors.

According to RBC, Sophis' structured products capabilities across the front, middle and back office were a key factor in the selection process. The rationale is to place controls and infrastructure around these businesses to allow the bank to grow in a more scalable fashion, increasing margins along with volumes, according to Peter Sanchez, global head of operations, capital markets and securities at RBC.

Other sell-side users such as Fortis Bank and Calyon are equally impressed with Risque's capacity to translate their structuring ideas into reality in a matter of hours. Officials at a number of houses contacted by *Structured Products* agreed that Sophis is the technology provider of choice when it comes to equity derivatives.

The investment banking arm of Fortis Bank – another bank that is expanding its structured products capabilities in the US – has used Risque for more than 10 years. This includes the cross-asset platform's equity derivatives and commodities modules. Risque is used to price and manage equity swaps, equity options and index baskets. Last month, the bank extended its use of Risque to the its credit operations to support the development of its structured products business.

Pierre Amrom, head of credit derivatives, structured credit group at Fortis, says Risque's toolkit allows users to customise the system to allow, for example, use of its own analytics and pricing tools for some instrument types.

"As some structures tend to become standard, Sophis Toolkit provides the flexibility to extend system and overload, amend or create entirely prototypes or templates," Sophis' Fruchard explains.

What's more, Sophis is working on improving its multi-asset class solution, which means Risque will extend its scope to price and manage inflation-linked instruments, energy-linked instruments, mortgage and asset-backed securities. Sophis is also looking to enhance its Libor market model with stochastic volatility.

Why they won

For equity derivatives, banks go to Sophis. Its Risque platform allows for flexibility and precision and its clients have certainly given the company a big thumbs up.