

## Case Study: Systems consolidation at Commerzbank AG

*“Formicary’s dedicated and knowledgeable team have made a significant contribution to the success and timely completion of this business critical project.”*

Mr Thomas Metzler, Head of Derivatives IT, Commerzbank AG



### Company

EuroHypo is Europe’s largest institution specialising in financing real-estate and public sector projects and a leading provider of commercial structured finance.

Since the takeover of EuroHypo, Commerzbank is Germany’s second largest bank and one of the leading banks in Europe. Its consolidated balance sheet total stands at €608bn. Approximately 36,000 employees look after more than 8 million customers worldwide.

### Background

Following the acquisition of EuroHypo, Commerzbank’s strategy was to consolidate trade data by integrating EuroHypo’s trade portfolio, stored in Sungard’s Front Arena, into Commerzbank’s existing trading system, Misys Summit.

### Requirements

The specification was to migrate EuroHypo’s trade portfolio whilst maintaining the existing risk management and settlement functionality. Customised feeds were therefore required between Commerzbank systems and the existing EuroHypo applications. In addition, new risk reporting functionality was required to ensure continuity between the environments.

### Solution

Together with the team at Commerzbank, Formicary helped in leading the development of the three principal sections of the project: Trade migration, Downstream system feeds and Risk reporting.

#### Trade migration

The existing EuroHypo Treasury portfolio consisted of thousands of trades so the data first had to be analysed to ensure the cleanest possible representation in Summit while maintaining all necessary trade customisations and extensions. In addition, much of the portfolio was structured, which presented the added challenge of representing highly customised cash flow schedules.

Formicary consultants wrote a trade migration application to migrate the vast majority of the trade portfolio automatically, in the most efficient manner possible with comprehensive logging and error reporting. Complex and highly structured cash flow schedules were represented as trades in Summit using custom built product extensions.

#### Custom risk reporting

Formicary developed a comprehensive risk reporting facility, customised for the EuroHypo trade portfolio. Given the structured nature of the deals, EuroHypo have highly specialised risk reporting requirements. These reporting conventions had to be maintained from Summit, to ensure continuity for EuroHypo Risk Management.

A risk reporting utility was developed, allowing for customised PV and risk calculations. For example, Delta, Gamma, and Vega can be calculated by using proprietary curve shifting methods already in use at EuroHypo.

#### Downstream feeds

To deliver new deals to existing back office infrastructure, Formicary provided EuroHypo with feeds from Summit to their existing settlements and accounting system, SAP. While the main trading system was integrated into Commerzbank’s platform, the new trade, price and risk feeds were able to integrate Summit seamlessly into EuroHypo’s existing infrastructure, minimising operational risk and unnecessary disruption.

### Result

Formicary provided Commerzbank with end-to-end support in the project, from initial scoping of development requirements, through to implementation, testing and support. Commerzbank and EuroHypo now have a successfully migrated trade population with supporting feeds, allowing their operation to be streamlined with minimal disturbance to their business environment.