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Breaking the banks?

IBM Risk Analytics ranked number one for enterprise-wide risk management and for enterprise-wide operational risk management

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*Technology firms are trying to help their clients adapt to a world in which new regulations and low trading volumes are putting bank business models under huge pressure. How well are they doing? **Clive Davidson** shares the results of this year's technology rankings*

Breaking the banks?

Trading and risk management is essentially about anticipating the future – making the right calls in terms of where the market is going, and being prepared in case it veers off course. But banks and other financial institutions are currently focusing on the here-and-now of compliance, pinned back by a welter of new regulation.

These competing concerns came across loud and clear in *Risk*'s technology rankings for 2012, with vendors striving to help their clients achieve the short-term goal of regulatory compliance while meeting the longer-term aim of overhauling trading businesses and integrating fragmented risk management processes.

Faced with these challenges, nearly 60% of respondents to *Risk*'s rankings say they are planning to increase their technology spend in 2013, with more than half planning to increase their spending by at least 10%. Regulatory compliance and the need to upgrade systems are the main drivers of planned investment (see *Risk* December 2012, pages 66–67). Technology vendors are positioning to meet this need by introducing a range of new products and functionality – see *Risk*'s survey of the latest software offerings (*Risk* December 2012, pages 50–57).

IBM Risk Analytics topped categories for enterprise market risk management, Basel III compliance and risk dashboards, as well as both operational risk management categories and the enterprise risk category overall. The company combines the Algorithmics financial risk analytics business, which it acquired in 2011, with its OpenPages governance, risk and compliance software, Cognos business intelligence software and data models and data management technology.

"As capital becomes more expensive, our clients are looking to their risk technology to help optimise everything"

Michael Zerbs, IBM Risk Analytics

Michael Zerbs, vice-president at IBM Risk Analytics, says a major impact of the new regulations is not only a demand for compliance functionality, but for more effective risk analytics across the board. "As capital becomes more expensive, our clients are looking to their risk technology to help optimise everything. Capital management is about the effective integration of the front and middle office to better manage scarce resources. Whether it is credit valuation adjustment, debit valuation adjustment, funding valuation adjustment or collateral management, risk technology can help institutions manage capital more efficiently by calculating with accuracy and speed how much and what type of capital should be used and where," says Zerbs.

The trends – and pressures – highlighted in these rankings are unlikely to evaporate soon. Regulations such as Dodd-Frank and Basel III are only beginning to bed down, with their full impact on market operations and business models and practices still unclear. Banks cannot wait to see how all this plays out – they must comply with these new regimes while remaining competitive and commercially successful – and technology is becoming increasingly vital for this, especially in derivatives trading and risk management. How well individual vendors respond to these needs will go a long way towards determining the results of next year's rankings. ■

How the poll was conducted

Risk polled thousands of banks, hedge funds, pension funds, insurance companies and corporate treasurers for this year's technology rankings, and received 1,012 valid responses.

Respondents were asked to vote for the technology vendors that provide the best product offering across a number of categories, including enterprise risk management, risk capital calculation, front- to back-office trading systems, and pricing and analytics.

Participants were asked to base their votes on functionality, usability, performance, return on investment and reliability. Nominated technology companies were awarded three points for a first-choice vote, two for a second-choice vote and one point for a third-choice vote.

Only technology end-users were allowed to vote. *Risk* conducted a comprehensive due diligence process and disqualified any votes that were felt to be unfair. These include people voting for their own firm, or relatives of someone who works in that company voting for the firm, multiple votes from the same person, multiple votes from the same IP address, proxy votes on behalf of customers, votes by people who choose the same firm indiscriminately throughout the poll, votes by people clearly not involved in the business areas covered by the poll, and block votes from groups of people on the same desk at the same institution voting for the same firm. The editor's decision is final in determining the validity of votes.

Last year, *Risk* changed the way it calculates its top 20 winners, basing it on share of the overall vote rather than the number of first, second and third places as in previous years. The new methodology was retained for the 2012 rankings.

OVERALL

Enterprise-wide risk management – market, credit, counterparty, liquidity, aggregation, Basel III

2012	2011	Vendor	%
1	**1**	**IBM Risk Analytics**	**10.7**
2	4	Misys	10.5
3	3	Murex	10.4
4	2	SunGard	9.3
5	6	Moody's Analytics	7.9
6	9	Calypso	7.2
7	8	Numerix	6.7
8	10	Bloomberg	6.6
9		Quantifi	5.7
10		Oracle	5.0

Enterprise-wide operational risk management

2012	2011	Vendor	%
1	**na**	**IBM Risk Analytics**	**13.1**
2		Chase Cooper	11.6
3		SAS	10.4
4		Misys	10.3
5		Oracle	9.6
6		SunGard	9.4
7		Methodware	7.6
8		Wolters Kluwer	5.6
9		SAP-Sybase	5.3
10		Fernbach	4.8

Enterprise-wide operational risk management

Risk control and self assessment, key risk indicators and internal loss management

2012	2011	Vendor	%
1	**3**	**IBM Risk Analytics**	**15.2**
2	4	Chase Cooper	12.5
3	5	Misys	11.7
4	2	SAS	9.5
5		Oracle	9.4

Capital calculation

2012	2011	Vendor	%
1	**2**	**IBM Risk Analytics**	**16.2**
2	4	Chase Cooper	13.6
3	5	Misys	10.2
4	3	SAS	10.1
5		SunGard	8.6

Enterprise-wide risk management

Basel III compliance

2012	2011	Vendor	%
1	**2**	**IBM Risk Analytics**	**15.9**
2	4	Misys	14.9
3	3	SunGard	12.7
4	1	Moody's Analytics	12.1
5	5	SAS	8.4

Risk dashboards

2012	2011	Vendor	%
1	**1**	**IBM Risk Analytics**	**16.9**
2	3	Murex	13.7
3	2	Misys	12.8
4	4=	SunGard	9.4
5		Quantifi	8.1

Enterprise-wide market risk management

2012	2011	Vendor	%
1	**1**	**IBM Risk Analytics**	**15.2**
2	2	Murex	13.6
3	4	Misys	11.7
4	3	SunGard	10.5
5		Calypso	9.7

Enterprise-wide credit risk management

2012	2011	Vendor	%
1	3	Murex	15.2
2	4	Misys	13.1
3	1	SunGard	12.8
4	**2**	**IBM Risk Analytics**	**10.0**
5	5	Moody's Analytics	9.1

Credit valuation adjustment/debit valuation adjustment/funding valuation adjustment calculation

2012	2011	Vendor	%
1	1	Numerix	15.9
2	4	Murex	15.8
3	5	Misys	10.3
4	**2**	**IBM Risk Analytics**	**9.6**
5		Calypso	8.3

Liquidity risk management

2012	2011	Vendor	%
1	1	Murex	16.2
2		Calypso	14.2
3	3	Misys	12.7
4	2	SunGard	9.5
5	**4**	**IBM Risk Analytics**	**8.7**

Others

Collateral management and optimisation

2012	2011	Vendor	%
1	4	Calypso	13.2
2	**1**	**IBM Risk Analytics**	**12.8**
3	3	Misys	11.4
4	2	Murex	11.2
5	5	Lombard Risk	9.4

Asset and liability management

2012	2011	Vendor	%
1	2	SunGard	14.1
2	3	Misys	14.0
3	1	QRM	12.7
4	**4**	**IBM Risk Analytics**	**10.4**
5		Kamakura	8.5

Limit checking

2012	2011	Vendor	%
1	1	Murex	15.1
2	2	Misys	13.6
3		Calypso	13.0
4	**5**	**IBM Risk Analytics**	**10.1**
5	4	SunGard	8.5

Regulatory compliance and reporting

2012	2011	Vendor	%
1	2	Misys	14.2
2		Lombard Risk	12.9
3=	**3**	**IBM Risk Analytics**	**11.4**
3=		SunGard	11.4
5	1	Moody's Analytics	10.0