HEXAWARE

Holistic Transformation for OTC Derivative Transactions and EMIR Reporting

Ensuring scalability, transparency, and improved data quality for a global financial institution’s OTC derivative transactions and EMIR reporting.

Case study

Client

The client is a US-based global financial institution that provides asset servicing, investment and wealth management services to institutional clients and high-net-worth individuals (HNIs).

It wanted to implement a comprehensive solution for transforming its OTC derivative transactions and EMIR reporting.

Challenge

The client sought to transform its derivatives data management to ensure transparency and granularity in tracking holdings and trade activity of over-the-counter (OTC) derivative transactions on a day-to-day basis. As these were private contracts between counterparties, they were less structured and inherently complex, making automation challenging. The goal was to standardize and harmonize processes to achieve post-trade STP (straight-through processing).

Additionally, the client's fund accounting and European Market Infrastructure Regulation (EMIR) transaction reporting required detailed trade, position, and collateral data of all the traded OTC derivatives.

It was also important for the organization to scale its existing system to provide more granularity for EMIR reporting needs.

The bank wanted a robust, scalable solution to process over 40 disparate OTC derivatives products and provide data to various downstream consumers like fund accounting, asset and pricing systems, client reports, and EMIR reporting platforms.

Solution

Hexaware's team made a detailed assessment of the requirements and prepared a comprehensive roadmap that could scale quickly. The trade processing platform had to be complemented with a data management solution. An enterprise data management tool was implemented to pull the disparate OTC products for processing, enrichment, translation, and validation. Using the tool's functionality and additional scripts, critical manual processes and missing functionality were automated so that data could flow seamlessly.

We also implemented EMIR-specific requirements like trade compression for central counterparties (CCPs), position management, trade events management, configurable taxonomy, derivation and calculation of missing attributes, and reference data rationalization.

A common domain model (CDM) ensured information delivery to the downstream consumers through an efficient web services architecture.

The 40+ OTC derivatives product types that were onboarded included high-volume products like IRS (interest rates swaps) and CDS (credit default swaps), complex products like asset swaps, swaptions, CFD (contract for difference) along with product types like commodity index, equity index, equity swaps, zero coupon swaps, basis swaps, variance swaps, etc.

Benefits

The transformation solution for OTC derivatives transactions and EMIR reporting brought the following efficiencies:

- Complete automation of EMIR reporting.
- Fully configurable model for derivatives taxonomy, and reference and static data management driven by the business users.
- The client onboarding process was at least 50% faster due to standardization, automation in product onboarding setup, and a scalable, harmonized CDM.
- A business-friendly, centralized exception management system captured exceptions at source and ensured easy resolution.
- Significant improvement in data quality due to comprehensive business and validation rules.
- Single platform ensured better traceability and encouraged data governance enforcement.

Summary

Hexaware implemented a comprehensive solution for a global financial institution to transform OTC derivative transactions and EMIR reporting. By integrating enterprise data management tools, the solution automated critical processes, standardized product onboarding, and ensured seamless data flow across over 40 OTC derivative products.

This enhanced transparency, data quality, and reporting efficiency, while enabling scalable and business-driven data management.

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Drive Efficiency in OTC Derivative Transactions.

Contact Hexaware's experts at marketing@hexaware.com to learn how our solutions can automate EMIR reporting and accelerate your derivatives data management.

About Hexaware

Hexaware is a global technology and business process services company. Every day, Hexawarians wake up with a singular purpose: to create smiles through great people and technology. With this purpose gaining momentum, we are well on our way to realizing our vision of being the most loved digital transformation partner in the world. We also seek to protect the planet and build a better tomorrow for our customers, employees, partners, investors, and the communities in which we operate.

With offices across the world, we empower enterprises to realize digital transformation at scale and speed by partnering with them to build, transform, run, and optimize their technology and business processes.

Learn more about Hexaware at https://www.hexaware.com.

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