

RISK MANAGEMENT

Asahi Rolls Out FNX

Financial services firms are changing their strategy, opting for single system architecture over "best of the breed" when it comes to risk and trading systems.

BY CRAIG MCGUIRE

Though many financial services firms adhere to a strict cut-and-paste "best of breed" strategy when it comes to technology, sentiment in the industry may be shifting. The Asahi Bank, one of Japan's largest institutions, is the latest company to shrug off the "best of breed" mentality, apparent in its recent rollout of Sierra System—FNX's trading and risk management system—to its New York-based operations.

"This implementation is indicative of the overall direction of trading and risk management technology," says Farid Naib, FNX CEO and founder. "There is a definite migration from the 'best of breed' mentality to the acceptance that a single system architecture is now viable from a functionality standpoint, is easier

to implement and more cost-effective to maintain. Single system architectures also reduce operational risk and provide a consolidated picture of market and credit risk across asset classes, desks and profit centers."

Asahi's six-month implementation strengthens its New York-based capital markets trading operation by consolidating it under a single system architecture. While Asahi officials could not be reached for comment by press time, the licensing agreement includes a number of modules, including foreign exchange, FX options, money markets, fixed income, and interest rate derivatives. Sierra provides Asahi with front- and middle-office trading support, including pricing, deal capture, position management, sensitivity analysis, P&L analysis, and cash flow management.

Asahi is replacing an internally devel-

oped system, and plans to link FNX's system to Reuter's Dealing 2000 and a back-office system from Midas Kapiti.

Additionally, Asahi implemented Sierra System's new limits module to monitor positions, credit and risk exposures in real-time. The additional functionality is designed to help Asahi reduce market, credit and operational risk. Limit check-

Sierra System's new Limits module includes an on-line monitoring tool that allows risk managers to view all relevant limits across desks, traders, centers.

ing is performed at deal entry, and limits can be tracked by trader, desk or counterparty. An on-screen tool displays the status of multiple limits and can be configured for the risk manager, providing real-time information about limit utilization and limit status. User-definable internal and external hierarchies help identify aggregate exposures.

"With Sierra's real-time limits capabilities, risk managers can adjust positions at any time during the trading day according to the firm's overall risk appetite, as opposed to receiving the information intraday or via overnight batch reporting," says Sean McDermott, senior managing director at FNX Tokyo. "As a total solution, Sierra will also allow Asahi to consolidate information across desks and trading locations and view the risk exposure of its entire trading operation, all from a single screen." *

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protection and education, one will focus on clearance and settlement and back-office operations, one will look at trading conventions (such as the Intermarket Trading Rules), and one will examine options markets.

The birth of these groups—which were created after the big board and NASD hosted an after-hours trading summit with the Securities and Exchange Commission (SEC) in late June—comes on the heels of recent decisions by the NYSE and Nasdaq to hold off on an extended-hours migration until next year. However, a host of electronic communications networks (ECNs)—including Datek Online Holdings' Island, Automated Securities Clearance's Brass Utility (Brut), Strike Technologies and possibly the new yet-to-be named ECN led by Fidelity, Schwab, DLJ and Spear Leeds—may now make the after-hours leap prior to the big boys.

Brian Hyndman, president of Brut, predicts that "at least four ECNs will shift to an extended-hours format before the end of this year. While declining to say whether Brut will be one of those ECNs, he says that the retail investor community is already making a big push for after-hours trading. "Our retail clients certainly want to be able to push their order flow over to us after hours," says Hyndman.

However, in a letter he fired off to SEC chairman Arthur Levitt last month, Philadelphia Stock Exchange (PHLX) Chairman and Chief Executive Officer Meyer Frucher said the fact that after-hours trading is most likely to generate interest among retail investors should be a red flag. "Few of these investors are likely to understand the liquidity and volatility issues involved when they trade in thin markets, and few of them are likely to understand the difference between entering an order after hours and executing it after hours," Frucher said in his letter. *