

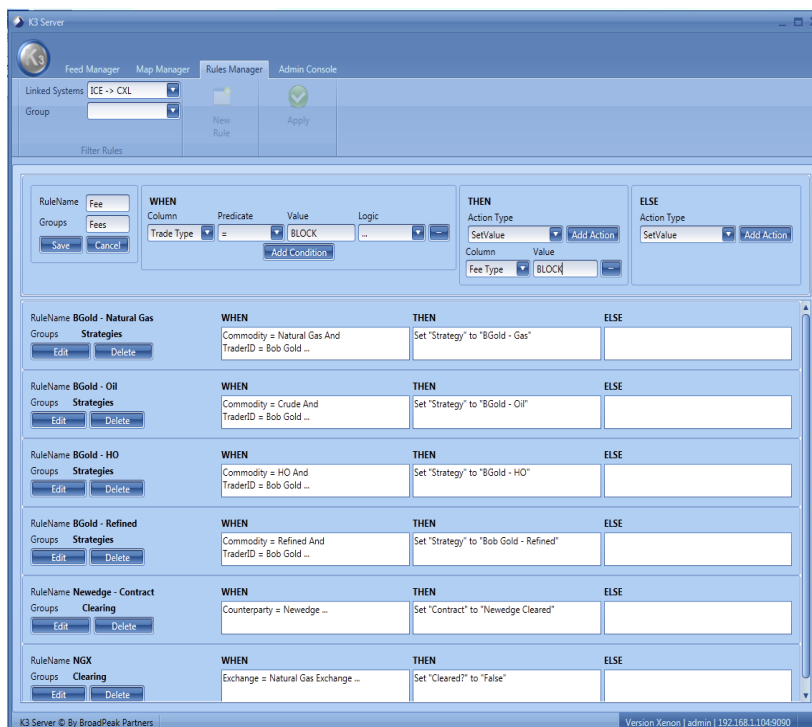
Eliminating Manual Efforts in the Mid-Office

When it comes to system interfaces, there are always curve balls which require special logic. As development efforts cannot possibly maintain pace with changing business requirements, the middle office is saddled with innumerable such data issues, which inevitably get solved through manual efforts. When we originally built K3 we knew we had to give business users a simple way to update interface logic to keep up with their business. What we knew we needed was a rules engine...a rules engine to modify and enrich data so that destination systems were correctly populated the first time. No more manual labor!

For example, if we take the case of commonly traded exchange products. Sometimes these are regular trades executed on the exchange. Other times, they are “Block Trades” (look alike) OTC products that have been lodged with the exchange for clearing. For trading purposes the two trades look and act the same, but the fees on each type of trade are unique. The exchange charges a different set of fees for block trades versus regular exchange trades. Similarly, if an exchange trade is facilitated by a clearing member it receives yet another fee type. The complexity around fees changes as new trade types are executed, new brokers are onboarded, and the business enters into new markets and exchanges.

K3 Rules Manager

Here is where K3’s Rules Manager can do its magic. In Rules Manger we set up a simple rule consisting of a WHEN and a THEN statement. In this case “WHEN the trade type is equal to BLOCK” THEN set the fee type to “BLOCK”. Simple. We also included an “Else” statement to enable alternative actions. This is just one example of the innumerable curve balls that K3 was designed to address.



The screenshot shows the K3 Rules Manager interface. At the top, there are tabs for 'Feed Manager', 'Map Manager', 'Rules Manager', and 'Admin Console'. The 'Rules Manager' tab is active. Below the tabs, there are fields for 'Linked Systems' (ICE -> CXL) and 'Group'. The main area is divided into 'WHEN' and 'THEN' sections. The 'WHEN' section has a table with columns 'Column', 'Predicate', 'Value', and 'Logic'. A rule is defined with 'Trade Type' as the column, '=' as the predicate, and 'BLOCK' as the value. The 'THEN' section has an 'Action Type' dropdown set to 'Set Value', a 'Column' dropdown set to 'Fee Type', and a 'Value' dropdown set to 'BLOCK'. There is also an 'ELSE' section with an 'Action Type' dropdown set to 'Set Value' and a 'Value' dropdown set to 'BLOCK'. Below the rule configuration, there is a list of other rules with columns for 'RuleName', 'Groups', 'Strategies', 'WHEN', 'THEN', and 'ELSE'. The rules listed are: 'BGold - Natural Gas', 'BGold - Oil', 'BGold - HO', 'BGold - Refined', 'Newedge - Contract', and 'NGX'. Each rule has 'Edit' and 'Delete' buttons. The bottom of the window shows 'K3 Server © By BroadPeak Partners' and 'Version Xenon | admin | 192.168.1.104:9090'.

Most of our clients also use K3 to ensure that trades are booked to the right strategy/book. For example, if Bob Gold is trading both gas and oil, why should he have to move all his trades to his sub-books? K3 can do this automatically through a rule. That is, WHEN the commodity is gas and the trader is Bob Gold, THEN book it to Bob Gold’s gas book. Simple.

Harder Scenarios

We also thought of how we can address much, much harder scenarios. For example, many trades are



executed on the exchange in lots. But not all downstream systems understand lots as a unit of measure. In this case the connection to those downstream systems includes a 'formula' rule. Here, the lots are converted to relevant MMBTU, or BBL quantities so they can be properly consumed by downstream systems. This simple rule eliminated about 20 hours a month of manual efforts the firm was spending converting deals from LOTS to MMBTU and BBL.

In even more challenging cases, we have designed K3 to leverage a "plug-in". A plug-in is a simple Java class that executes a function prior to booking. For example, we have a client that uses an internal numbering system for every trade executed in the firm. Each trade gets a unique trade ID. We created a simple Java class that reaches out to the number assignment system and pulls back a unique ID which is then affixed to a reference field in the trade.

We also have hedge funds that have used the plug-in approach to execute allocation. Portfolio managers manage a number of sub-books. When that portfolio manager executes, say 100 lots of crude, that trade needs to be broken up and allocated to several sub-books. So we created an allocation plug-in to do just that. When a trade is received, it is broken up into several trades and booked into each respective sub-book.

These are but a few instances of how Rules Manager can save operations hundreds if not thousands of needless work.

Call or email us. We'll help you hit your toughest curveballs.

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