Reuters Trade and Risk Management Solutions

Reuters Kondor Global Risk – What's New in version 3.0

Reuters Kondor Global Risk is a real time global credit risk management application providing credit and risk managers with the ability to monitor credit exposures. It enables efficient limit utilisation across the enterprise through the consolidation of credit limit information and manages the data in real-time across all instrument types. Its scaleable architecture makes it suitable for single-site and global institutions alike.

Kondor Global Risk version 3.0 has been built in co-operation with customers and prospects to ensure that it meets current user demands. With this latest release, we have also paid close attention to market drivers in order to address the major issues in enterprise-wide risk management.

Version 3.0 of Reuters Kondor Global Risk includes:

A risk engine for potential future exposure (PFE) analysis based on Monte-Carlo simulation. This is necessary to assess credit risk for instruments that are particularly sensitive to market moves, such as complex derivatives and structured products. Traditional add-ons (nominal amount adjusted by an instrument risk factor) are too static for these instruments. Using Monte Carlo simulation-based PFE is recommended in order to capture the correlation effects between market variables, whilst taking into account credit mitigation effects. Reuters Kondor Global Risk allows for PFEs (and their subsequent impact on limits) to be calculated using an internal risk engine to perform Monte Carlo simulations, or they can be imported from an external risk engine.

A new licence available in v3.0 will give access to the Monte Carlo Risk Engine, enabling:

- Setup of the Time Series Management in the Data Module
- Running of the risk engine and relevant limit computed with Monte Carlo
- Launch of the Counterparty Exposure Report

A complete limit management framework for leveraging workflow capabilities in excess management and double validation of static data. This improves limit management flexibility and includes credit mitigation techniques (collateral and netting), version 3.0 includes:

- Automatic allocation transfer between time bands for optimised limit utilisation
- Allocation schedule
- Novation netting for forex transactions
- Improved flexibility in the definition of the excess management and double validation workflows
- Sophisticated collateral management including a deeper definition of the agreement and calculation of collateral margin

A Basel II regulatory capital module to improve compliance in the credit risk area including banking book enhancements. The goal of version 3.0 is to be fully compliant with Basel II Credit Risk Pillar I for reporting risk-weighted exposures against the three proposed methodologies: standardised, foundation internal rating-based and advanced internal rating-based. This is achieved through using a common framework to measure, value and monitor trading and banking book transactions.

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Version 3.0 includes the calculation of asset classes and risk parameters (Risk Weights, Probability of Default, effective Loss Given Default, Exposure At Default) and capital requirements using Basel II or external formulas. Different methodologies can be used in the same report and users can even compare the capital calculation between all three methods. Scenarios on risk parameters and capital limits complete the regulatory capital framework. Of note, all additional data required for the banking book (Letter of Credit, Financial Guarantee, Term Loan and Revolving Credit Line) has been added to Reuters Kondor Global Risk for firm-wide capital requirement analysis.

A web-based graphical interface
for improved navigation and graphical views, easy deployment and lower total cost of ownership.

A language and platform independent technical architecture
with a communication server and report builder – using web services to integrate fully with other information systems.

Attractive upgrade packages

Reuters Kondor Global Risk version 3.0 offers significant improvements over previous versions and can be easily and cost-effectively upgraded. For users of Reuters Kondor+ Limits and embedded KreditNet there are impressive advantages in adopting the full risk management capabilities including global functionality for an enterprise-wide solution.

Reuters Kondor suite of trade and risk management solutions

Building on more than 20 years experience in the risk industry, the Kondor suite is a highly sophisticated, modular solution designed to provide a best fit with your business requirements. Used by more than 50% of the world's top 25 banks, more than 14,000 users rely on Reuters Kondor trade and risk management solutions at every step of the trade.

Reuters: with you at every step of the trade

The Reuters Kondor suite of trade and risk management solutions addresses the core risk issues and is designed to meet the requirements of traders, heads of desk, risk and operations managers. It covers two areas:

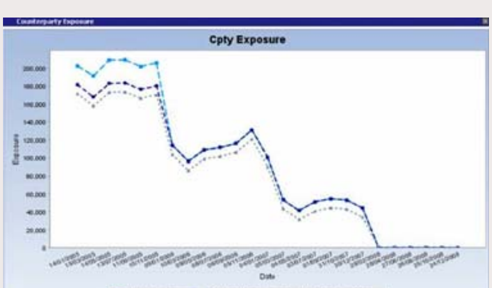
Desk-level technology, providing real-time pricing, position keeping, trade processing and reporting features – from the front into the back office, including messaging and the generation of accounting entries.

Enterprise-wide risk management, supporting the analysis of credit and market risk exposures at the group or firm-wide level.

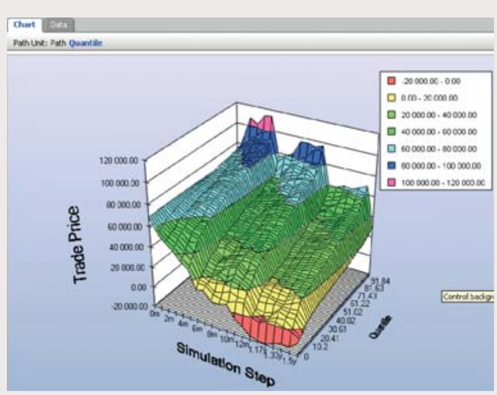
Reuters modular system is flexible and integrated, offering increased efficiency, control and automation. All of Reuters trade and risk management products can be used independently or fully integrated with each other or third party systems – to provide tailored functionality at every step of the trade.

For more information visit
www.reuters.com/risk

PFE profile



Detail of prices per time nodes and Monte Carlo paths



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