

Energy & Commodities – Risk Management A DIVERSIFIED AGRICULTURE COMPANY

A U.S. Agribusiness Takes Commodity VaR Monitoring and Analytics to SaaS in 30 Days

The company

In operation for 70 years and counting, this publicly traded agricultural company conducts business across North America in the grain, ethanol, plant nutrient and rail sectors. Generally, the company helps farmers take grain to market. Its facilities accept corn, soybean, wheat, oats and other commodities. It also provides plant management, corn origination and distiller dried grains (DDGS) and ethanol marketing services, as well as commodity risk management and hedging services for end-user suppliers through futures and options trading and physical procurement and deliveries.

The challenge

As an existing treasury solutions customer of FIS, the company's compliance officer was already aware of FIS' Kiindex commodity risk management suite of solutions. As the company grew and its trade volumes increased, its leaders needed more sophisticated risk management capabilities, including calculating Value-at-Risk (VaR) as one of its monitored risk measures. Existing company spreadsheets couldn't support such sophisticated calculations, nor provide speed and transparency across the trading portfolios that now required intraday and end-of-day risk management. Additionally, market uncertainty and tight margins made it essential to have more granular analytics capabilities to quickly generate other critical, risk-mitigation reports covering mark-to-market (MTM), positions, and profit and loss (P&L).

THE OBJECTIVES

- To accommodate increased trade volume, with improved VaR capabilities, greater portfolio visibility, and fast, flexible reporting to manage intraday and end-of-day risk.
- To create critical reports, including MTM, position and P&L reports, to meet market requirements and expand data inputs.
- To rapidly integrate solution with existing and future IT assets, without disrupting ongoing IT operations.

THE SOLUTION

- Implement a complete middle-to-back office Software-as-a-Service (SaaS) solution for trade capture, valuation and risk reporting, in 30 days with less than eight hours of corporate IT resources.
- Enable scenario and risk analytics, including VaR reporting, at increased intervals – minutes vs. hours or end-of-day.
- Deliver market data, including up to 800 forward curves, 80 volatility surfaces, option settlements, and FX and interest rates – all updated daily.
- Provide comprehensive position, valuation, P&L and market risk reporting capabilities.
- Seamlessly integrate with existing systems across the trade lifecycle, allowing straight-through processing to minimize manual intervention and ensure up-to-date limit-monitoring on positions.

The solution

The company selected FIS' KiodeX Risk Workbench over other competitive offerings, based on the solution's advanced reporting and risk modeling functionality, ease-of-use, and ability to integrate with existing and future IT systems. Since it is a SaaS solution, delivered via the cloud, it keeps up with new functionality seamlessly and helps keep the IT costs low due to the minimal need for IT staff and software costs distributed over time. The solution was integrated with several existing corporate systems, such as the company's data bank to complement existing historical records with FIS' market data for more comprehensive VaR calculations and enable straight-through processing of trades. As a result, the solution helped streamline processes and automate reporting to seconds or minutes instead of potentially days, allowing the client to spend more time on value-added tasks.

The results

The implementation was complete within 30 days, requiring less than one man-day of direct company IT involvement. Since then, the company has effectively achieved timely VaR reporting at significantly higher trade volumes. Automated, straight-through processing, combined with robust market data and integration with existing company systems has also facilitated trading and risk management of physical assets.

FIS Solutions for Energy & Commodities

FIS solutions for energy and commodities help utilities and retailers, pipeline and storage operators, marketers and traders as well as integrated energy companies compete efficiently in global markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments. Through real-time data, connectivity and analysis, FIS solutions help you achieve transparency and regulatory compliance, optimize end-to-end transaction and operational lifecycles, and meet time-to-market needs with flexible deployment options. As your technology partner, we can help take advantage of the latest innovation and explore new opportunities. For more information, email us at getinfo@fisglobal.com.

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit www.fisglobal.com.

"We've got the perfect solution. It required minimal IT support and was easy to integrate. Going forward, FIS' KiodeX Risk Workbench is a good fit for us."

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