

## Energy & Commodities – Position and Risk Management Case Study U.S. WHOLESALE ELECTRICITY SUPPLIER

# One of the Largest U.S. Utilities Monitors Position Limits and Mitigates Risk with FIS' Kiodex

### The company

One of the largest U.S. utilities trades a diverse set of OTC and cleared derivatives on power, gas and variable refined products. With multiple desks trading more than half a million trades per day across several offices, this publicly-traded clean energy company has stringent risk and internal compliance control requirements in place. This set of internal risk management policies and procedures (RMPPs) place limits on the size or tenor of positions on every instrument the company trades.

### The challenge

The company's risk management team was mandated to actively monitor daily trading activity on gas, power, fuel oil and renewables, plus physical activity by way of more than 900 RMPPs or position strategies. This required OTC and cleared transactions across a variety of trade types to be broken down to their core risk components, enabling them to be aggregated and monitored as single positions by location, region, period, trader or activity. The company also wanted to use its position strategies to create a competitive position in the marketplace by turning risk and compliance requirements into an opportunity to react faster to market events and take swift action on trading opportunities that ultimately enhance its portfolio.

### THE OBJECTIVES

- Reduce compliance and market risk, enhance internal compliance controls, and strengthen competitive advantage
- Monitor more than 500,000 OTC and cleared derivative positions against over 900 internal RMPPs intraday
- Maintain mandated external compliance with exchanges, including position limits in certain locations intraday, on the same platform

### THE SOLUTION

- Breaks down trades to their core underlying exposure
- Builds and aggregates positions, and checks them against the company's established RMPPs
- Monitors and displays risk through configurable dashboards
- Provides email alerts prior to breach of set limits
- Enables the company's IT team to achieve rapid implementation and minimal internal support through a vendor-supported SaaS solution

## The solution

The company had already been using FIS' Kiodex Control for real-time monitoring of exchange position limits and Kiodex Global Market Data as a price source for its power and gas positions. With risk decomposition as a native function of the solution, the company chose Kiodex Control to perform risk monitoring against its RMPPs or position strategies through a sortable, searchable, configurable dashboard as well as email alerts.

FIS' Kiodex Control receives trade details, builds the appropriate positions, and aggregates the positions. The solution then checks these positions against the company's RMPPs and displays each day whether or not the position policies and procedures are being followed, while instantaneous exchange position limits remain visible within updated dashboards on the same platform. Kiodex recalculates delta throughout the day regardless of trading activity, and reports on position limits before violations occur.

## The results

FIS' Kiodex Control has helped the company improve the effectiveness of its compliance team, offer greater control and transparency to its shareholders, and react quickly to market events and opportunities. Prior to its implementation of Kiodex Control, the company was able to spot-check trading activity only against its top-50 position strategies, just once per month or once per quarter. Now, the company is able to monitor all 900-plus RMPPs each day, ensuring fulfillment of its strict internal compliance goals. This level of control allows the company to improve its competitive position by enhancing the speed and quality of decision making, which is especially crucial during times of high market or price volatility.

## About 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.

## 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](http://www.fisglobal.com).



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