

Trading oil and liquid hydrocarbons today

TradeCapture's risk management solutions uniquely reconcile data collected at any point along the supply chain – from production to storage to refineries, through to the end-retail/consumer – right back to the commercial transaction,
writes TradeCapture's Steve Delaney

The current commodities boom is becoming increasingly challenging for trading companies as price volatility and trading volumes surge. Complicating the issue is the need to ship cargos to and from distant locations via a capacity-constrained transportation network. As a result, the ability to correctly allocate expanded trading volume quickly and precisely is more imperative than ever.

Thousands of trades each day must be routed to the proper financial accounts in real-time, ideally through a process that gives traders real-time profit and loss (P&L) and risk management data. Traders must be able to receive electronic trade confirmation data and also place orders electronically in order to keep up with today's trading pace.

Transactions must be easily monitored at each and every stage, while physical contract details need to be easily shared between counterparties. Getting the right data at the right time in order to inform faster and more accurate decision-making is crucial.

Energy trading and risk management (ETRM) software providers must collaborate beyond initial software implementation to develop trading systems that can provide complex, well-integrated solutions into customers' diverse business models and processes.

Without a close partnership between traders and ETRM providers, the gap between software solutions and customer needs will grow. The potential lack of communication and responsiveness would weaken the businesses' built-in solutions. In the long term, this could have a serious impact on trading activity in the market place itself as organisations struggle to administer and control their businesses and inhibit their activities as a result.

This is particularly true when it comes to trading hydrocarbons where market participants are acutely aware that extra vigilance and flexibility are needed in order to adjust seamlessly to increasingly tight markets for raw materials and refined products. Technology is crucial in bridging the gap between the physical movement of oil and trading-floor methodologies.

Shifting market fundamentals add another layer of complexity to the overall picture. Amid these tightening markets, participants will need to address increasing numbers of shorter-term trades,

new deal structures and how to optimise stock levels for risk-free margins in storage plays and blending for better product value. With this in mind, ETRM providers and traders alike need to be fluent in communicating needed changes, modifications, testing and quality improvements so that both parties can take part in shaping the technology to meet the complex demands of these ever-tightening markets.

Orchestrating the TradeCapture solution

Traders need and demand shorter settlement cycles, with automated execution through to settlement.

TradeCapture has developed core ETRM software modules that meet these demands. Such technology is designed to help clients streamline operations, reduce transaction costs and manage their futures trading, exchange-traded options, over-the-counter options, swaps and physical product delivery in a single platform.

TradeCapture products are a uniquely seamless, strategic management and trading software solution for the hydrocarbons market and offer the deepest functionality of any ETRM system. In this way, they enable our clients to handle any aspect of energy market logistics, trading and strategic management.

Our flagship product is the integrated commodity trading system, Symphony, for straight-through processing (STP) of commodities transactions. A complete, world-class transaction management platform, it connects all commodity trading functions into a common database, supports a wide variety of pricing models and provides automated links to a general ledger accounting system. In doing so, it facilitates risk management of hedging strategies and market exposures.

Complementing this is TradeCapture's Maestro solution, providing the industry's fastest real-time P&L, real-time risk analytics and 'what-if' analysis. Our state-of-the-art electronic trading technology feeds from the exchanges directly into Symphony and Maestro for a single, aggregated view of trading contracts, allowing traders to execute and send trades directly to the counterparty of their choice, while updating their P&L in real-time.

Our Fleetime software tracks all oil product transportation stages while administering maritime operational logistics

networks and handling all transactions from contractual activity to delivery and cost finalisations. Co-ordinating all transportation activity from contract to delivery, it tracks vessel chartering, voyage scheduling and operations.

Seamless decision support

These products comprise the seamless TradeCapture solution, offering a comprehensive decision support package that meets the requirements of today's electronic trading environment.

With unique integration of real-time pricing and P&L performance, our new trading technology helps market participants understand intuitively where improved margin opportunities exist. This makes our clients more effective at managing risk and optimising margins, as high prices and rising demand squeeze profitability for the major refiners and other market participants.

Our ETRM system has made use of the standards developed by the industry group Leadership in Energy Automated Processing (LEAP) to address issues such as contract matching, invoice matching and electronic bills of lading. In so doing, we better enable our clients to facilitate the combination of physical and derivative risk.

TradeCapture's new approach to STP of energy trading transactions meets the Sarbanes-Oxley demand for more transparency on the trading floor and supports market innovations like the Nymex ClearPort clearing service, which allows companies to trade much larger amounts than they could previously because it clears both parties' credit risk – provided those risks and the trading strategies behind them are clearly reported. TradeCapture systems provide audit trails, time stamps and peer reviews in a seamlessly documented format that reduce the compliance workload.

Bringing innovation to the trading floor

As the liquid hydrocarbons market tightens, TradeCapture has taken the lead as an ETRM provider at improving trade-floor knowledge of stock levels and feedstock/product qualities, while structuring our technology to address shorter-term trades and new deal structures. We have given priority to better global co-ordination of trading and logistics that helps traders stay ahead of the market. Our software combines capabilities to provide optimised stock levels for risk-free margins in storage plays, blending for better product value and scheduling flexibility for commercial and arbitrage opportunities.

We understand energy traders' focus on having the right data at the right time to allow for faster and more accurate decisions on fast-paced transactional opportunities. This is particularly important as regulatory demands and market evolution combine to require more transparency on the trading floor. Our effective trading systems contain automated workflows with checks and

balances that are custom-designed for each trading company's front-, middle- and back-office functional requirements. The systems automatically provide audit trails, time stamps and peer reviews in a seamlessly documented format that reduces the compliance burden and improves profit potential. In doing so, they become central to ETRM strategy by meeting the needs of heightened regulatory scrutiny and intense market demands.

Our capabilities – such as detailed invoice generation and tracking, intelligent support of prior period adjustments and the capture and management of complex transportation and storage entitlements – are the ETRM platform of choice both now and in the future. We help our trading clients get closer to the assets and stay ahead of the market through better global co-ordination of trading and logistics that will help traders stay ahead of the market.

The movement of oil trading closer to the asset also requires more accurate and frequent information sharing for strategy development and planning, movements, stocks, production and qualities, all of which TradeCapture software can provide. In today's environment, our trading systems offer simple connectivity to stream business assets in order to improve the quality of these information flows. As oil settles into an apparently permanent high-price plateau and physical trading demands increase, TradeCapture software allows transaction simplification, applying STP to trades in the physical commodity. We bring the world of practical molecule allocation increasingly closer to the valuation, risk management, control and compliance world of the trader.

About TradeCapture

TradeCapture is a leading global provider of innovative and cost-effective solutions designed and developed for companies in the field of commodity trading and transaction management. Since 1997, our company has been delivering robust enterprise-wide trading and risk management systems for multi-commodity markets throughout the world. TradeCapture is headquartered in Houston, Texas, and has sales, development and support centres strategically located around the world, including Hyderabad, India; Rome, Italy; and London, England.

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