

SAKONNET TECHNOLOGY CASE STUDY SERIES - FORTIS

Fortis starts US power trading with Sakonnet Technology's Xenon

Sakonnet's advanced platform and close co-operation accelerated client's entry into US power markets.

Fortis is one of the top twenty financial institutions in Europe with a market capitalization of roughly \$37 billion and over 56,000 employees. A truly international organization, it has businesses around the world, including a US energy trading operation based in New York.

This unit, part of Fortis Financial Services, has been trading crude oil, distillates and natural gas since 2004 using Sakonnet's Xenon trading and risk application. However, in mid 2005 it wished to enter the US power markets, to fulfill a strategy of complete coverage of energy markets for clients, and respond to the business opportunity of much higher power trade volumes by energy companies, investment banks and hedge funds. But Xenon's power trading functionality used in Europe required extension for US market specifics.

Fortis started discussing requirements with Sakonnet in June 2005 and four months later Sakonnet delivered to Fortis server sets a fully tested upgrade including the needed extensions – Xenon version 4.2 –via the Internet. Philip Renton, head of product management at Sakonnet, says: "Successful deployment in such a tight time frame can be attributed to excellent co-operation on new requirements, Xenon's flexible architecture and our unique upgrade capacity."

The process worked as follows. Sakonnet's business analysts quickly met Fortis traders, risk managers and mid and back office, to supplement Sakonnet's own research on market requirements and define exact needs. They could then define priorities and the best sequence for development, understand post-trade workflow

needs, and create clear and accurate requirements documents for sign-off and use by developers.

The first development phase covered OTC swaps trading, the next exchange-cleared swaps and long-term and other option types. Also in the first phase, Xenon was adapted to cover all relevant price and settlement data, handle changes to workflows, provide relevant feeds to the general ledger, and add US power trades to aggregate or cross-market Greek and other position reports and scenario analyses.

Renton explains: "Sakonnet's mantra is to deliver software as a service. Xenon is not a buy and use solution. The upgrade for Fortis to trade US power was a good example of collaborative working to ensure a client had exactly what it needed. However, we execute by extending and providing client configuration options on the single source code base, vs. building an isolated customization which would be hard for us and the client to maintain and upgrade."

The new version of Xenon has enabled Fortis to extend its market-making for US clients across the entire energy spectrum, including cross-market trades. It lets traders and risk managers see aggregate multi-commodity risks, along with individual book positions with further drill-down to specific trades.

Sakonnet provides first-line customer and technical support to Fortis for power trading to complement its upgrade services. This enables traders to call or use instant-messaging throughout the trading day and get immediate responses from expert New York-based support staff. Trader and overall floor productivity is commensurately enhanced.

Thurstan Bannister, Sakonnet's CEO, comments: "Fortunately we designed Xenon to be highly extensible to new underlyings and market definitions. Coupled with our single source code and publishing upgrades via the web, it allows us to extend our functionality for Fortis and other clients swiftly, and they avoid cumbersome implementation or upgrade processes."