

# In pole position

Sakonnet's **Thurstan Bannister** says a sound footing in risk management and a customer-facing approach is the secret of his company's success. By *Stella Farrington*

★ Having worked as a derivatives trader in the 1990s, Thurstan Bannister, chief executive of Sakonnet Technology, knows only too well the frustration of using software that lags behind trading needs.

Understanding that improved software solutions were needed by the commodity trading world, in 1999 Bannister joined two former JP Morgan colleagues and IT specialists who had started Sakonnet Technology earlier that year. Privately owned, with much early funding coming from former JP Morgan executives, Sakonnet has grown fast every year since inception, and at an average of more than 30% a year in the last two. Now employing around 60 staff in London, New York and Rio de Janeiro, Sakonnet's main focus is on trade capture and risk management in the European energy sector.

Coming from a US investment bank, Sakonnet's founders have a full understanding of mark to market and potential risk exposure, and this forms the foundation upon which Sakonnet is built. "At Morgan the focus was on extremely precise measurement of risk – for internal management purposes and due to the barrage of regulatory entities that a US investment bank faces," notes Bannister.

He was also influenced by JP Morgan's client service model, which, along with the standards passed on by his father, Roger Bannister – who made history by breaking the four-minute mile – form Bannister's core values.

Bannister sees wider industry acceptance of Java, XML and remote hosting as a very positive step, enabling software providers to integrate more easily with other systems and making the process of ongoing upgrades smoother.

"Software has to be an excellent service, and you can't achieve that without an enabling platform – you and your clients don't want to be painted into a corner three or five years out," he says.

Sakonnet also has software partnerships. "We don't want to hog the whole space – if others have comparative advantage we just want to integrate our technology with theirs," Bannister says.

Sakonnet uses FEA for analytics and has just partnered with



Texas-based Rome Corporation, which is bringing to Europe its Java distributed technology for the credit and collateral management space. "We're also interested in further extensions to optimisation of trading and production," Bannister says.

Bannister believes technology has to be customer-facing, and should enhance a client's equity value by allowing the company to achieve tight risk control and efficient use of credit capital.

"If people know exactly their actual and potential credit risk with counterparties they don't have to set lines over-cautiously," he notes.

Sakonnet has developed a unique approach to its sales. Rather than outright sales involving clients in a heavy initial outlay, followed by maintenance and upgrade fees, Sakonnet's pricing model consists of level fees each year under multi-year agreements. These lease-type payments cover all licensing, upgrades and services.

"To me, this is a much better foundation for a relationship with a client," Bannister says. "It avoids the client handing over all the money upfront and then being left dangling, hoping the software provider will continue providing services and upgrades, and won't refocus on the next customer and source of upfront money. Our pricing model is a mechanism of accountability for us."

On the debate over upgrades versus third-generation systems, Bannister believes the distinction is arbitrary. But for companies that really are stranded with first-generation internal or third-party applications, there's a strong case for migration to a new system. Bannister says this needn't be as stressful as it sounds.

"It should be less painful nowadays. If the new system can be run remotely in parallel to the legacy application and you can outsource the audited parallel testing service, you're a long way down the road to minimising the risks of migration, and have probably radically reduced the costs as well," he says.

"I think there's a danger of people in the industry so fearing migration that they have sub-optimal applications for the business activities they do – and that's a great pity." ■