Sky's the Limit With STARS

By Leslie Kramer

THE DERIVATIVES MARKET IS expanding rapidly and so is the need for comprehensive trading and risk systems. Taking on the challenge, Savvysoft (booth #1314), a New York-based provider of OTC-derivatives software is announcing the launch of its Savvysoft Trading And Risk System (STARS).

STARS is a customizable front- and middle-office system for managing all types of derivatives. It covers derivatives for the credit, fixed-income, equity, foreign-exchange, convertible, commodity, energy and electricity markets.

"The impetus for developing STARS was the explosion in growth of all different types of derivatives in all types of markets, as well as the large number of diverse mathematical models used to price and measure the risk of these instruments," says Rich Tanenbaum, founder and partner of Savvysoft.

Expanding the capabilities of traditional risk-management software, which typically uses predefined instruments, STARS can be configured to handle derivatives instruments from any market, using any mathematical model and can be integrated with all data providers, claims Tanenbaum.

"Other systems are limited to the single market they were written for; STARS is not tied to just one market, and thus can be used as a foreign-exchange system, a fixed-income system, or as a system that combines any number of markets," he says.

The system enables clients to use their own mathematical models to price instruments, generate curves, create their own sensitivities, aggregate values across portfolios and generate scenarios, Tanenbaum says. It is platform and database independent and may be reconfigured at any time, giving clients control over data providers, hardware and database software, he adds.

A former head of Derivatives Research at Bankers Trust (now Deutsche Bank), Tanenbaum saw a need in the industry for a fully-extensible derivatives-trading and risk system. "After 30 years of seeing how others have built derivatives systems, we decided it was time to put one together ourselves that could handle all the instruments that trade today, and all the instruments that will be invented in the future," says Tanenbaum.

Savvysoft's system allows clients to define their own securities and instruments. "Users simply create a name for their desired security type and enter a list of attributes of the security, such as coupon, maturity, or price.

There is no limit on the number of attributes a security can have and no limit on the number of security types in the system," Tanenbaum says. "We also wanted to make sure that any third-party pricing and calibration models, those of Savvysoft or anyone else, could go into the system on equal footing," he adds.

Using the STARS Open Application Programming Interface (API), clients can choose which mathematical models they want to use for calculating fair value, sensitivities and calibration and conversion of external data in the STARS database. The system can take data feeds from any vendor by defining the data provider generically, says Tanenbaum. It is also able to price portfolios under user-defined scenarios. Scenarios can be generated by stress tests, random-correlated market-rate movements and historical shifts, he says.

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Limit checking, reporting and trade blocking can also be defined by the client. "The system features a fully secure system for preventing unauthorized access, giving administrators an unparalleled level of control over exactly who can do what to which component of the system," says Tanenbaum. The STARS system ensures that only specified users can: enter specific areas of the system, write to specific tables, execute trades for predefined instruments based on complex rules; and edit instruments, portfolios, market data, limits, and stress tests, he says. It maintains a full audit trail of any changes to its database.

STARS will be marketed to banks, money managers, and insurance and reinsurance companies.

The introductory price for STARS is a one-time fee of $250,000 for a five-user license, which, according to Tanenbaum, is about half the price of its competitors. Some front- and/or middle-office systems that will compete with STARS include: Summit Systems' Summit, Front's Arena, Principia Partners' Principia and SunGard's Panorama. ◀◀◀

Rich Tanenbaum, Founder and Partner, Savvysoft