

Overall Winner

Best Foreign Exchange Solution

Shell

UK

Michael Dawson, Head of Liquidity/FX



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Best of breed FX solution at this oil and gas giant

The challenge

For a corporate treasury department that supports numerous subsidiaries, managing risk exposures consistently and transparently is fundamental to improving efficiency and mitigating risk. Traditionally, a company's currency exposures could be managed locally by different overseas cost centres. Automation, however, can offer centralised visibility, enabling execution of those exposures in aggregate and thereby reducing transaction costs.

The goal was to develop real-time functionality that would connect the company's central treasury with over 700 operating units based in 25 countries, supported by staff in three shared service centres.

"We wanted to develop a seamless solution with straight through processing (STP) into our treasury management system," explained Michael Dawson, Head of Liquidity/FX at Shell.

The company also wanted the result to be a 'best of breed' design that leveraged common solutions and avoided overly customised or bespoke approaches. The result, then, would allow not only Shell to benefit from the innovations, but a broad range of other corporations.

The solution

Shell partnered with Bloomberg FX executives and engineers to extend the FX electronic trading platform (FXGO) to create a robust and seamless solution. Every aspect of Shell's corporate treasury system was considered, including how it books transactions, conducts trading, and even addresses auto-routing technology. The new interface gives the company the ability to process orders electronically, but still maintain tight controls globally.

A key part of the solution is the creation of a portal that allows the subsidiary to send orders to the central treasury, who can then aggregate or net exposures and select an execution strategy. Margin can be applied to the fills, and the constituent trades passed back downstream to the subsidiary with automatic posting to the general ledger systems. For corporate treasurers, the ability to connect live with all subsidiaries and manage global exposure in aggregate, within one system, is invaluable.

Furthermore, the solution allows subsidiaries to import exposures by dragging and dropping from a spreadsheet or integrating with any order management system, and full STP is available.

Best practice and innovation

The new technology allows smaller or urgent transactions to be automated completely (from generation in the source system through to market execution, confirmation and settlement). The treasury team can always intervene and choose a route to market where there is value in doing so.

For the treasury, this solution provides flexibility across a wide spectrum of automated features, from manual request for quote to completely automated trade execution, leveraging user-defined parameters for auto-routing that eliminates the need for human intervention.

"The subsidiary-staging portal has helped us to build a comprehensive process across the organisation that reduced our operating risk and transaction costs," says Dawson.

Key benefits

The Shell front office team of nine in Singapore and London manage over 30,000 FX requests a year covering nearly US\$1trn of total flow in spot, forwards and swaps in 40 currencies. The fully automated solution provides benefits in three key areas:

- IT standardisation and automation, using a market-standard cloud solution to save on running, maintenance and future upgrade costs.
- Fee and spread savings, being able to choose the route to market for every exposure (eg algos, streaming, RFQ) improves competition between banks and eliminates fees.
- Improved control environment, with automation removing the need for any manual re-keying and deal entry controls detecting 'fat finger' errors.

A key component of this process was the ability for Shell to net its exposures by as much as 70%, thereby reducing notional trade size and eliminating unnecessary payment of spreads.

Shell has thus created a comprehensive solution from a single technology platform that harmonises internal processes with powerful execution solutions.



Royal Dutch Shell plc, commonly known as Shell, is an Anglo-Dutch oil and gas company headquartered in the Netherlands and incorporated in the United Kingdom.