

# Single platform for a global market

Triple Point Technology delivers an award-winning, full-function, cross-commodity platform that meets the requirements of a complex market

**Navigating the energy and commodities market's dynamic,** demanding and ever-changing waters is a challenging enterprise. Having a single real-time platform that integrates the front, middle and back office, and that spans commodities and geographies for both physical and financial trading, is now more critical than ever. Fortunately for Triple Point Technology's global customers, the international software company delivers an award-winning, full-function, cross-commodity platform that meets the trading, risk management and logistical requirements of these complex markets.

"Convergence of physical and financial trading is an important trend," says Peter Armstrong, president of Triple Point Technology. "Buyers are demanding deep physical as well as financial functionality on a single platform. There is a growing realisation that the physical and financial business can no longer be managed separately. In fact, they are becoming one."

The physical and financial trading worlds are converging because the most sophisticated market participants understand that the greatest value they can deliver for their customers – and the greatest margins for themselves – is in providing instruments that allow those customers to mitigate the risks involving physical assets and transactions. Financial instruments such as derivatives are well-established risk management tools, but without an integrated management system covering both physical and financial assets, it is virtually impossible to get a clear view of exposures and risk.

The differences between the physical and financial trading worlds are well known to Triple Point. "The software feature sets are clearly different," says Armstrong. "With physical trading, there are issues of deal structure, physical logistics and the risks associated with delivery and inventory management," he explains. "With financial trading, the software must be able to handle the sophisticated financial engineering required to manage commodity derivatives."



**Peter Armstrong, CEO,  
Triple Point Technology**

Historically, most software vendors – and even in-house developers – have focused on either physical or financial trading, but not both. "Solutions have only addressed part of the problem," says Armstrong. "Triple Point has always thought that transaction processing and risk management systems need to cover the physical and financial markets equally well, and in equal depth." That requires the software to be extraordinarily resilient, sophisticated and adaptable. "It's a tougher product to build, but it's the only way to truly solve the problem," says Armstrong.

Triple Point has taken this approach to software development in response to customer demands. The company serves more than 70 customers – including 10 new clients added in 2004 alone – on six continents across seven major commodity classes. "It gives us a unique edge and great visibility," says Armstrong.

In addition, Armstrong characterises the company's software products as the "embodiment of best practises" flowing from a "detailed and constant dialogue" with its world-class client base, which includes many of the most sophisticated players in the global commodities markets. Today,

25% of both Global 500 commodity traders and Global 500 energy companies use Triple Point software systems to manage both financial and physical trading.

Another of the company's strengths is that it can anticipate developments – not least because of its visibility across different commodity markets. "For example, we spotted the trend of convergence in physical and financial trading early on in the oil industry and understood what it would mean for other commodities," notes Armstrong.

## **Multi-commodity functionality**

A second and parallel trend noted by Triple Point is the growth of multi-commodity market participants. "You used to be able to go out and market a gas system or a coal system or an oil system, but now businesses want to manage different commodities together, whether

### Meeting real time needs

Customers are increasingly demanding real-time functionality in their software. This is not simply real-time position management or the ability to transact immediately – which are already a given in the commodity markets – but a vastly deeper suite of knowledge-based tools that can give traders and market-makers the visibility they need. “This is about access to information throughout an organisation,” says Armstrong.

Access to information needs to flow from the traders’ execution to those responsible for the movement, receipt and delivery of commodities to those who are managing credit exposure and market risk to those in the back office. “It’s about immediate access to data for the purpose of rapid and accurate decision-making,” says Armstrong. “This functionality has become more important because of the complexity of transactions today.”

All Triple Point products now offer such real-time functionality in addition to their integrative qualities that allow traders and market makers visibility across commodities. “In the area of real-time functionality we are probably over-delivering in terms of market expectations,” says Armstrong. “But we know from dialogue with our customers that once they have it, they don’t know how they lived without it!”

Based in Westport, Connecticut, Triple Point serves clients in Asia, Africa, Australia, Europe, North America and South America from its five development and support centers strategically located around the world.

the commodities are fuels used to produce other commodities and have an obvious link, or if they are just two commodities traded under one roof,” says Armstrong.

The ability to consider credit risk, correlated market risk and overall market risk is crucial to market participants. In addition, a single settlement system brings economies of scale to the middle and back office. According to Armstrong, this trend plays to Triple Point’s strengths as well. “Although we view each commodity market as singular, we’ve always known our customers would benefit from cross-commodity knowledge and synergy, whereas some vendors focus only on gas or power or refined products.”

Triple Point’s product line allows it to deploy unique vertical solutions for multiple industries on a single platform. “We have helped customers across diverse commodities including crude oil, petroleum products, petrochemicals, coal, metals, coffee, cocoa, grain, meat and dairy products, livestock, and shipping and freight,” says Armstrong.

That is not to say that the platform is a generic commodity solution. “We specifically haven’t done that because we recognise that a generic solution cannot meet the needs of a gas trader or a coal trader, for example,” says Armstrong. “It is simply not possible because of the specific requirements of each commodity market – and even the requirements of different locations. For example, UK gas trading is different from continental European or North American gas trading.”

Instead, while the platform allows Triple Point to deploy solutions

for each distinct market or geography, customers still benefit from the consolidation of the back office and the aggregation in risk reporting, position management and counterparty risk management. “The solution for base metal trading, for example, works seamlessly with the solution for gas trading,” says Armstrong. “Yet each solution has the total depth of functionality required for the market it is serving.” Triple Point says that for many customers such integration abilities are no longer just a request but have become a hard requirement.

### New opportunities

Despite the dynamic and fast-changing nature of the commodity trading markets, a surprising number of participants continue to trade using siloed applications and spreadsheets – a clear opportunity for Triple Point. “Many systems don’t understand how users work and consequently people default back to spreadsheets,” says Armstrong. “And if a system works for a trader it often does not work for the back office. That’s why we designed an integrated system to work the way a trader and a risk manager and the back office would want it to work. The users can use the system the way they want to, but it is also the single system of record.”

While siloed applications and spreadsheets can have benefits in terms of flexibility and reporting for an individual user, their drawbacks are obvious, according to Armstrong. “They’re not scalable and do not handle the volume of transactions that most clients require.” In addition, they lack the best practises with respect to control, security, detailed auditing, and performance reporting that Triple Point’s software offers.

Indeed, it is unlikely that a trader or market-maker would pass a Sarbanes-Oxley audit by simply using spreadsheets and then keying the data into the system of record. “Sarbanes-Oxley, along with other regulations, has been a driver for the adoption of the systems that we deliver,” says Armstrong. The Triple Point Commodity XL platform, for example, allow CEOs and CFOs to survey their risk and operations by offering the ability to generate profit and loss statements based on mark-to-market values and deal prices and also calculate value-at-risk – important measures with the increased scrutiny on risk management.

While Sarbanes-Oxley has put pressure on US companies to face up to their risk management deficiencies, Armstrong says the trend is similar across the global market – from which Triple Point now derives 50% of its annual revenues. “There is an awakening of the need for better trading and risk management systems worldwide,” says Armstrong. “It is being driven by regulatory reforms such as Sarbanes-Oxley and by the increasing emphasis on corporate governance as a result of the failure of a number of high-profile companies at the beginning of the decade. In addition, banks are requiring their customers to have more sophisticated risk management solutions and controls in place.” He adds: “And just as importantly, companies are coming to realise that it makes them more efficient and competitive.” ●

### Contact:

**Triple Point Technology**

T: +1 203 291 7979

info@tpt.com

www.tpt.com