

CASE STUDY | Structured Trade Review Cycle Time

How the Structured Trade Review (STR) process involves more than 200 people spanning several different departments and areas of a large financial institution.

The Problem

The Structured Trade Review (STR) process involves more than 200 people spanning several different departments and areas of a large financial institution. Some involved departments include the Middle Office, Product Control and Operations/Complex Product Support.

The complexity and handoffs involved in conducting STRs make the current process cumbersome and inefficient, and sometimes even ambiguous in terms of how and when to conduct reviews. As a consequence, the firm has a backlog of more than 3,000 trades that haven't been reviewed within the allotted eight-week time frame – an unachieved Critical to Quality (CTQ) characteristic that is exposing the firm to risk.

To make the process more efficient and risk free, a project team identified the following primary outcome metrics:

- ▶ Reduce STR cycle time by 20 percent
- ▶ Reduce STR trade population by 30 percent
- ▶ Reduce STR effort hours by 20 percent

The Solution

The team performed several analyses on trade data, finding that STR issues cause an average cycle-time increase of 25 business days. Analysis also showed that trades with operational risk are grossing up the population of matured and inter-company trades.

To rectify these issues, the team created a waste reduction and quality improvement action plan, having brainstormed and tested the validity of various countermeasures. In conjunction with the plan, the team also constructed a performance dashboard for monitoring output targets and improving process transparency.

The Results

- ▶ Several times, workload and efficiency results were achieved by the project, including:
- ▶ Reduced trade reviews that were outstanding for more than eight weeks by 58 percent
- ▶ Reduced the mean trade-review cycle time from 51 to 29 days, a reduction of 57 percent

Problem

- ▶ Trade review cycle times are too long, and too much waste in the process

Solution

- ▶ Analyzed trade data, finding the root of excessive cycle time
- ▶ Constructed a performance dashboard
- ▶ Implemented a waste reduction plan

Result

- ▶ Reduced trade-review backlog by 58%
- ▶ Reduced cycle time by 57%

- ▶ Reduced Kestrel manual de-selections by 85 percent
- ▶ Identified and removed trades without risk from the process
- ▶ Reduced 50 percent of inter-company trade reviews by implementing a Mapping Table process

Also the team learned some important lessons. One, that the greatest impact on STR output is reviewer skill, not time spent, product mix or trade quantity. Another, that inspection processes are generally inefficient and costly – so the goal should be to stop inspecting and make the process more proactive (prevention or detection).

More lessons are that a lack of documented STR procedures increases the risk of inconsistent and inefficient reviews (duplicative work) - and lack of follow up by reviewers greatly contributes to extended cycle times.

