

**Client**

One of the largest investment banks in the world.

**Goal**

Ensure compliance to the Dodd-Frank Act in the Mandatory Clearing of derivatives.

**Business Impact**

Testing of adherence to time-sensitive rules around engaging counter parties and the exposure of client confidential data in trading workflows minimized our client's susceptibility to steep monetary fines and loss of investor confidence.

## Dodd-Frank Mandatory Clearing

*Iris tested the implementation of Dodd-Frank rules for Mandatory Clearing of non-deliverable Currency Forward contracts and Currency Options.*

**Overview**

A leading Investment Bank engaged Iris as an independent verifier of Trade workflow mechanics and connectivity of internal systems to Central Counterparties (CCPs), clearing members, and middleware (matching and affirmation tools) providers during the implementation of the rules contained in the Dodd-Frank Act for Mandatory Clearing of Non-deliverable FX forward contracts and FX Options.

The Iris Testing team actively analyzed the existing clearing workflow and the necessary changes required in the implementation of the Act. Post analysis, Iris developed and executed the appropriate testing strategy to test the forex business towards its compliance with the Dodd-Frank Act.

**The challenge**

The Dodd-Frank Mandatory Clearing Act introduced new regulatory requirements for clearing i.e. the introduction of Central Clearing as a mandatory counter party. The Act demands accurate and prescribed information exchange among the participants. This requirement has substantial impact on the front-to-back Trade Workflow Mechanics for market participants. Correct implementation of these new regulations in our client's system and their connectivity with Central Clearinghouse members was vital to ensure compliance to the Act.

Due to strict compliance deadlines, the bank had to implement Mandatory Clearing Act on time to avoid heavy penalties and loss of investor confidence.

**The solution**

Iris, with its rich experience in capital markets, proposed an end-to-end testing solution for clearing and settlement activities. Strategic direction was laid down for testing Trade Workflow starting from trade execution to trade matching & affirmation followed by submission of the executed transactions from a clearing member (which acts in an agency capacity) to a Central Clearing House for clearing. Various reports generated from sources like Clearing Member, Clearinghouse and regulatory bodies (CFTC and SEC) were also tested.

Focused testing was conducted to test consolidated earnings, losses and capital of the company. Most importantly, the team considered the company's risks, business strategies and activities in order to create the right test datasets. Special attention was given to data privacy.

For complete coverage, the team created mind maps and used Iris' in-house tracking system to track execution progress on a daily basis. In addition, automated scripts using QTP and Verifix for simulating multiple trades and verifying trade confirmations were developed and used. To ensure timely delivery, the team had a communication plan in place with daily meetings among testers, developers and stakeholders. A contingency plan was also put in place to address risks related to schedule, effort and environment availability.

## Tools & technologies

Quality Center, Markit wire, Verifix, QTP, Jira & Clearinghouse

## Technical highlights

- Test Environment created to simulate real time connectivity between Clearing Member, Clearinghouse and internal systems
- Generated Complexity Curve to evaluate adverse conditions on business.
- Automated script created to generate multiple trades using over 30 of the most important global currencies.
- Emphasis on scenario-based and risk-based testing
- Using QC, we provided video recording of the bugs or steps to reproduce along with various execution and defect reports

## The Iris advantage

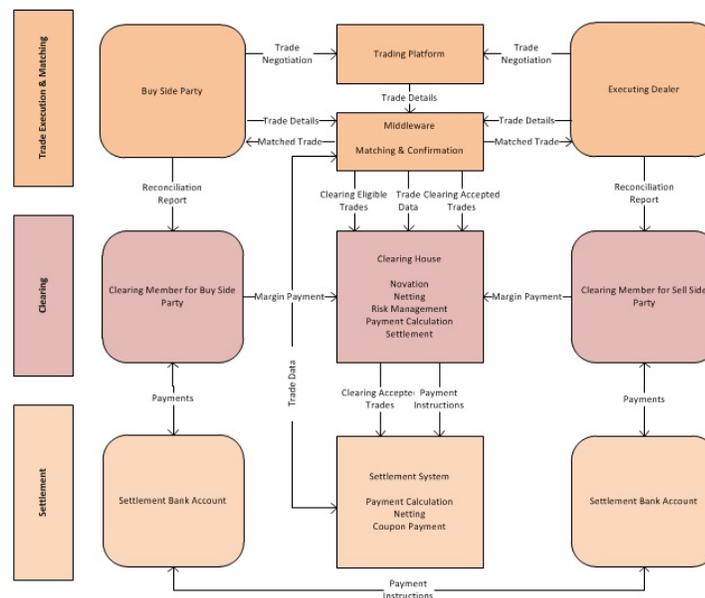
**Vision to Reality:** The client's need for end to end testing of the FX platforms was met with accurate planning as well as the creation of automated scripts and rigorous testing using 30 of the most important global currencies.

**Speed to market:** The Dodd-Frank implementation was tested and delivered to production within 4 months with regression testing of the application.

**Execution excellence:** The testing team was able to execute and document the end-to-end trade flow including complex & rare scenarios. The team understood the nuances of multi-environment testing and validated the trading applications by considering company's risks and business strategies.

**Predictable paybacks:** The work was completed on time and within budget and there were no severe production defects found till date.

**Collaborative problem solving:** Iris testing team worked closely with the Client application team and the Clearing house Test Environment team to resolve challenges related to connectivity and trade parameters.



## About Iris

Iris ([www.irissoftware.com](http://www.irissoftware.com)) is a professional software services organization providing its customers with high-quality, cost-effective solutions and developing mutually beneficial relationships. Iris does this through comprehensive solution offerings with best-of-breed technologies, rapidly deployable solutions, flexible engagement models and proven methodologies. This allows customers to focus on their core competencies, and concentrate IT resources on projects that directly impact their bottom-line.