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www.algorithmics.com
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Technology Rankings 2006

Algorithmics is the market leader across all risk categories

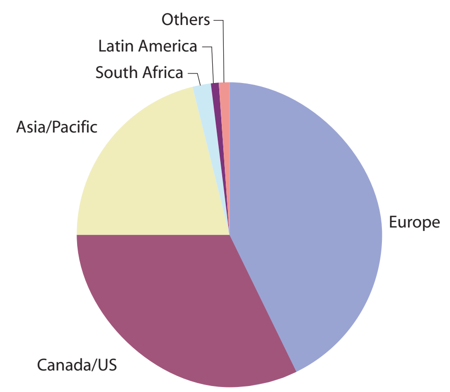
Algorithmics

TECHNOLOGY RANKINGS 2006

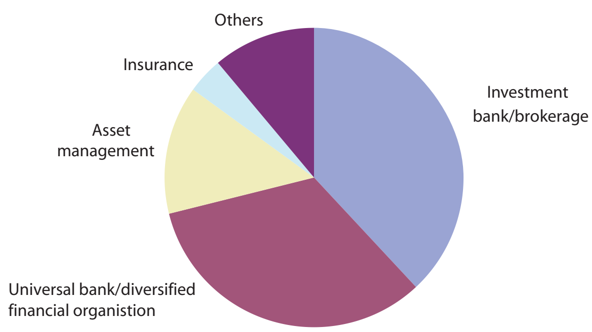
By *Clive Davidson*, with research by *Xiao Long Chen*

Race for the prize

Survey respondents by location (%)



Survey respondents by type of institution (%)



How the survey was conducted

Risk polled thousands of banks, hedge funds, pension firms, insurance companies and corporate treasuries for this year's technology rankings, and received 1,160 valid responses. Respondents were asked to vote for the technology vendors that provide the best product offering across a number of categories, including market risk, credit risk, trading systems, analytics and front- to back-office systems.

Participants were asked to base their votes on functionality, usability, performance, return on investment and reliability. Nominated technology companies were awarded three points for a first-choice vote, two for a second-choice vote and one point for a third-choice vote. Only technology end-users were allowed to vote. *Risk* conducted a comprehensive due diligence process, and disqualified all votes deemed to be invalid.

With jockeying for position across almost all categories, *Risk*'s 2006 technology rankings reveal how keenly the vendors of analytics, trading and risk management systems are fighting for market share. Algorithmics remains the dominant risk management system supplier in the rankings. With six first places, including market risk systems, regulatory and economic capital calculation, operational risk assessment and key risk indicators, and collateral management, the company is the market leader across all risk categories.

Algorithmics started out on the sell side, focusing in particular on first-tier banks. Now, the fastest-growing area of business for the company is on the buy side. "Asset managers and hedge funds are adopting more complex strategies involving multiple asset classes and more structured products, so the quality of their risk and decision support systems is becoming more important," says Michael Zerbs, Algorithmics' president and chief operating officer.

The bigger of the buy-side firms prefer to have their own system installed in-house, but the medium-sized institutions are looking more at what Algorithmics calls its managed services solution. Like an application services provision (ASP), the software is hosted by the vendor and is made available to customers online. However, clients have a more individually tailored version of the system at their disposal than with a pure ASP, says Zerbs. "We pre-configure a specific set of analysis and views of risk and return to each client," he says. So far, broker-dealers such as Toronto-based TD Securities and London-based Marex Financial have been the first to adopt Algorithmics software in this way, but Zerbs expects there to be good take-up for this offering among buy-side firms.

Many banks use Algorithmics' software to help them comply with Basel II, and the new Accord continues to consume senior management attention as key deadlines of major Basel II projects approach. Among top-tier banks, the initial focus on Pillar I and its minimum capital adequacy is quickly evolving into a focus on Pillar II, use test requirements and the supervisory review, says Zerbs. "Banks are looking at what they need for better stress testing. Pillar I doesn't account for credit concentrations, for example. Once they start looking at these, and implementing economic capital models, the problem becomes how you compare these with the regulatory model, which is a key Pillar II issue," he says.

TECHNOLOGY RANKINGS 2006

RISK CATEGORIES

MARKET RISK

Market risk

2006	2005	Company	%
1	**1**	**Algorithmics**	**13.8**
2	7	SunGard	13.7
3	3	Murex	12.0
4	2	Savvysoft	8.1
5	6	Misys	6.2
6	5	Imagine	5.4
7=		Calypso	4.5
7=		Sophis	4.5
9	9	RiskMetrics	3.8
10	8	Reuters	3.4

CREDIT RISK

Trading and banking

2006	2005	Company	%
1	5	SunGard	14.5
2	**1**	**Algorithmics**	**13.7**
3	3	Moody's KMV	12.5
4		Misys	9.9
5		SAS	6.5

Limit checking

2006	2005	Company	%
1	3	SunGard	14.3
2	**1**	**Algorithmics**	**13.9**
3	2	Murex	13.7
4		Calypso	11.4
5	5	Misys	5.7

CAPITAL CALCULATION

Regulatory

2006	2005	Company	%
1	**na**	**Algorithmics**	**16.3**
2		SunGard	14.7
3		Fermat	11.2
4		SAS	7.5
5		Misys	6.0

conomic

2006	2005	Company	%
1	**na**	**Algorithmics**	**14.2**
2		SunGard	13.2
3		Fermat	9.3
4		Moody's KMV	7.8
5		SAS	6.4

OPERATIONAL RISK

Assessment and key risk indicators

2006	2005	Company	%
1	**na**	**Algorithmics**	**14.5**
2		SunGard	14.2
3		Ci3	10.1
4		SAS	9.8
5		Misys	9.5

Internal loss database

2006	2005	Company	%
1	1	Ci3	14.9
2	**2**	**Algorithmics**	**14.8**
3	3	SAS	14.5
4		SunGard	13.3
5		Misys	8.7

Capital calculation

2006	2005	Company	%
1	**1**	**Algorithmics**	**19.4**
2	2	SAS	15.9
3		SunGard	14.3
4	4	Ci3	9.8
5		Misys	7.8

OTHER CATEGORIES

Collateral management

2006	2005	Company	%
1	**1**	**Algorithmics**	**23.6**
2	3	SunGard	15.8
3	2	Murex	10.4
4	4	Misys	7.5
5	5	Lombard Risk	6.8

Basel II

2006	2005	Company	%
1	2=	Fermat	16.6
2	**1**	**Algorithmics**	**16.0**
3	2=	SunGard	10.9
4	4	Misys	8.9
5		SAS	8.7