

How Refinitiv helped a major UK transport firm turn vulnerability into agility

A major UK transport company was looking to improve its time-consuming and costly in-house risk management process. When they spoke to Refinitiv about putting together a tailored treasury solution, they didn't realise at first that they were laying the foundations of an award-winning solution; one that would result in a more holistic view of risk and agile decision-making. We asked the firm's Corporate Treasury team to tell us more.

A labor-intensive process was a huge headwind to risk management

As a transport company, our vulnerability to fuel prices is an inherent risk in our business model. Thus, fuel hedging strategies are a core focus for our Corporate Treasury team. Managing this effectively relies heavily on quality and speed of data and the ability to integrate this into our workflows. However, our existing processes were clunky and were hindering our ability to act quickly.

Our Corporate Treasury team also monitors our overall counterparty risk. The existing system of updating credit ratings with time-consuming manual updates was not only inefficient and tedious, but it introduced the added risk of time sensitivity – where changes in a counterparty's credit quality might take a while to be reflected in our system. This too acted as a headwind to our ability to respond to risk. We needed a more dynamic risk solution – something that was accurate, automated and reliable.

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Our existing approach to fuel price hedging and counterparty risk were acting as a headwind to our agility.

Tailored data led to better fuel hedging decisions

We were initially drawn to Refinitiv as they were able to offer us fully integrated real-time information with advanced, tailored functionality. For example, tailored functionality enables us to monitor prices in both the end currency and the unit in which the underlying risk is to be purchased – say sterling pence/liter. This has enabled us to evaluate movements in hedge prices at a glance.

We can also drill down to view individual components within the hedge, such as US dollar commodity and a foreign exchange forward. And with a better understanding of the underlying drivers of price movements, we can make better predictions. Thanks to targeted, reliable and complete data in an easy-to-understand format – which we can seamlessly integrate into our existing workflows – we are now able to make more conclusive and faster hedging decisions.

Reliable, relevant data also gave us more agility

Tailored data also allows us to monitor counterparty risk continuously and to quickly understand new or changing risks. Refinitiv deliver our requested metrics directly into our internal system – automating the once manual process and removing the significant time delays. Refinitiv StarMine® Qualitative Analytics also enables us to generate implied credit ratings for specific counterparties where no formal credit rating is available, which enables us to act quickly and with confidence.

We now get the assurance that pricing from financial counterparties is on-market before we enter into a trade. Being able to take a more continuous approach to monitoring counterparty risk helps us avoid a credit event based on the failure or significant downgrade of any financial counterparty.

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Our approach to financial risk has become more proactive. We have also made significant savings and our Corporate Treasury team can now focus on areas of higher value-add.

The result: a more holistic view of risk

The broad scope of targeted, reliable and complete data has given us holistic visibility across the full range of identified risks across the business. It has enabled us to transition from highly manual, tick-box processes to a fast and efficient automated solution – equating to better data analysis and enhanced decision making. Our approach to financial risk has certainly become more agile and proactive and our Corporate Treasury team can focus on areas of higher value-add. Meanwhile, we have been able to make significant savings. ■

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