WHITE PAPER: INTRODUCING ENUIT'S COMMODITY MANAGEMENT SOLUTION

TRANSPARENCY FOR THE ROAD AHEAD

What is a Commodity Management solution?

Margins and volatility are what drive the trader's market. Over the last few decades companies that trade commodities and energy have adopted niche software solutions to help mitigate some of these associated risks and to automate a lot of the manual processes between front and middle office. These solutions have typically been known as CTRM / ETRM solutions.

In General, a large portion of a company's back office functionality and core business processes have been supported by multiple solutions including an accounting package and/or Enterprise resource planning (ERP) system which would typically track business resources— cash, raw materials, production capacity—and the status of business commitments: orders, purchase orders, and payroll.

Many companies lack an intelligent integration between their CTRM system (in some cases based on spreadsheets) and its enterprise resource planning (ERP) system. This has long been an issue, leading to challenges in inventory management, risk analysis, and trade book to financial reconciliation.

In 2019 ENUIT® was selected as the CTRM vendor of choice for a multi-national, cross commodities trading company. During the planning and implementation phase, the client commissioned ENUIT® to build into the core ENTRADE® system the functionality to support their entire business from Front to Back including all aspects related to their Enterprise Resource Planning.

This led to the creation of ENTRADE® Unite, one of the few solutions to incorporate all the aspects of a Commodity Trading Risk Management system and all the aspects of an Enterprise Resource Planning solution directly in its core, in a single platform without cumbersome modules to enable integration and mapping from one system to another.

ENTRADE® Unite has the potential to deliver significant benefits in the form of enhanced visibility, analysis, insights, and decision making for any market participant.

ComTech Advisory, the leading CTRM analyst firm, defines Commodity Management as the superset of software solutions that encompasses CTRM and ERP for Commodities where:

1) ERP for Commodities naturally focuses on physical commodities and emphasizes production / procurement / origination, movement, storage, and handling of bulk and packaged commodities. This will usually include contract management, procurement, production, logistics, inventory management, assays/chemical analysis, pricing and fixation, hedging, settlements, and accounting. The primary users of this type of software are producers, industrial consumers, and processers.

2) CTRM will have a trade-centric design with a focus on capturing and tracking both physical and financial trades, with configurable book and reporting structures, position calculation and valuation, PnL, and various aspects of risk, including market and credit risk. The primary users of CTRM software are traders and merchants.

The ENTRADE® Unite Difference

Let us look at a typical CTRM – ERP integration, described in the figure below. This sort of integration would cost several hundreds of thousands of dollars, perhaps millions of dollars.

To simplify the complexity of the business process described in the figure below, ENUIT® has integrated both CTRM and ERP functions into ENTRADE®'s core architecture without any need for extensive integrations or mappings.

Typical CTRM – ERP System Integration
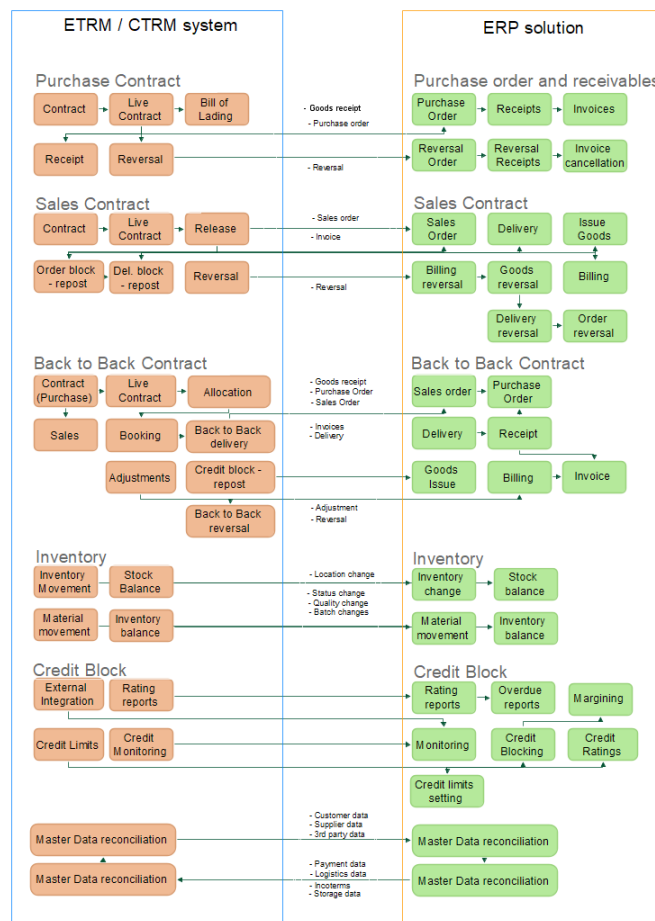
What are the main benefits to users of ENTRADE® Unite?

ENTRADE® CTRM, although relatively new in the Risk Management space has already been widely accepted as a leading solution in this space, specifically because ENTRADE® is one of the few systems that has the proven ability to support every commodity, every feature, and every user in one place on one platform. There's no Third Party or Legacy System to integrate.

For the Front office, Deal and trade types can be quickly configured to handle complicated commodity trading transactions whilst automatically decomposing risk according to each deal type's risk profile. Each transaction type is automatically integrated into every part of ENTRADE® – no coding required.

Transactions can be immediately valued, settled, scheduled, invoiced, confirmed, taxed, hedged and analyzed.

For the Middle Office, ENTRADE® makes it possible to track everything from inventory volumes, aggregation of costs, value at risk, ancillary costs, the quality of product, and then tie that data to respective counterparties, contracts, and portfolios.

And for the Back Office, ENTRADE® generates invoices and remittance statements including all associated fees and costs. It stores general ledger codes and can generate and post journal entries directly to your General Ledger system.

Graphic 1 below shows the functionality that ENTRADE® as a CTRM platform offers

Graphic 1

The ENTRADE® Unite update has all the functions you need to run your commodity trading business:

• Capturing and recording deals

• Scheduling physical commodity movements

• Tracking primary and secondary costs

• Monitoring inventory levels and costs

• Actualizing deal volumes

• Valuating deals

• Calculating settlement amounts

• Generating invoices

• Monitoring business and market risks

• Processing management

• Providing useful reports and a data warehouse for all aspects of the business

Unparalleled Reporting capabilities:

• Volumetric positions

• PNL attribution

• Inventories

• Storage, in-transit, exchanges, processing

• Estimated and actual volumes and costs

• Movement documents

• Deal confirmation letters and Contracts

• Payables and receivables

• Market risk exposure

• Mark-to-Market calculations

• Option pricing model 'Greeks'

• Value at Risk

Complete end-to-end visibility of the entire value chain:

• Transparency of inventories and their associated costs, market risks and opportunities created by an organization's network of assets (e.g., refineries, pipeline capacity, terminals, storage)

• The ability to drill into data from enterprise commodity transactions, enabling high-quality in-depth analysis and insights

• A unified data source uniting data traditionally found in CTRM systems with data commonly found in ERP solutions.

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Graphic 2 below shows the functionality that the ENTRADE® Unite solution offers

"ENTRADE® Unite creates an integrated solution that can support today's supply chain needs of trading organization, giving companies the opportunity to integrate trading and risk data with supply chain functions".

ENTRADE® Unite is integrated internally

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ENTRADE® Unite is modern technology

ENTRADE® Unite is a flexible, robust solution built as a single platform with state-of-the-art technology. ENTRADE® even incorporates the popular Python language. ENTRADE® is a scalable enterprise platform that will grow with your business as markets and technology changes. With a simplified, unified infrastructure, businesses can focus on value-added activities instead of focusing on manual, error-prone, time-consuming processes.

Reach out to ENUIT® to find out more

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