

COMfin
SOFTWARE

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What is CTRM Software?

As with all types of trading, commodity trading comes with inherent and unavoidable risks. Despite the intrinsic nature of these risks, you can take steps to manage and mitigate them – with the right tools. It may be tempting for you to turn to enterprise resource planning (ERP) software to help you trade commodities; however, there are more specialised solutions that may meet your specific business needs. Read on below to learn more about CTRM software and why you need one to succeed in the commodities business.

What Is Commodity Trading?

You can trade commodities in two kinds of markets. These markets are:

- **Spot Market.** In the spot market, cash transactions are involved, and the exchange of goods occurs in the present.
- **Futures Market.** With the futures market, goods exchange occurs at a later date, ensured by contracts.

Regardless of the market in which you trade commodities, commodities trading will always involve risks. The management of said risks is often referred to as commodity risk management.

What Are Commodity Risks?

As a whole, the commodity market is complicated due to regulations and the involvement of many products. What's more, the volatility of commodity prices impacts trading. Because of these factors, commodity risk management is vital.

What Are the Different Kinds of Commodity Risks?

Traders are often exposed to the following risks:

- **Regulatory Risk.** National – or sometimes, even global – regulations may impact the availability and prices of commodities; thus, regulations create risks and affect trading.
- **Price Risk.** Price risk occurs when commodities' prices fluctuate due to macroeconomic factors.
- **Quantity Risk.** The availability of commodities causes quantity risk. Commodities may be in short supply due to natural disasters or regulations.
- **Cost Risk.** As the name implies, this type of risk occurs when there is a sharp increase in the cost of commodities.



Which Industries Are Exposed to Commodity Risks?

The following industries are most exposed to commodity risks when trading:

- **Agricultural Industry.** The agricultural industry, which includes products such as cocoa, cotton, and wheat, is exposed to commodity risks.
- **Energy Industry.** Traditional sources of energy (coal, natural gas, and oil) and renewable energy are exposed to commodity risks.
- **Metal and Mining Industry.** This industry, which includes precious metals and industrial metals like aluminium, is exposed to commodity risks.

What Is CTRM Software?

Commodity Trading and Risk Management (CTRM) software is a specialised financial software designed for companies to manage their commodity trading risks more effectively. Another term often used in the context of energy is ETRM, for Energy Trading and Risk Management.

CTRM software can perform various tasks such as managing physical trades, accounting, scheduling, etc. What's more, you can use it for all sorts of asset classes – including agriculture, metals, and energy.

The following chart illustrates the main components of a CTRM system.



What Is the Purpose of CTRM Solutions?

CTRM software aims to replace spreadsheets and older systems that aren't suitable for today's complex market. This software also aims to provide a centralised system through which front, middle, and back office workers can work.

Why Do You Need CTRM Software?

Improved Data Security

CTRM software gives you security that surpasses that of legacy systems such as spreadsheets.

Accurate Insights

CTRM software may provide aggregated and analysed data that allow you to create accurate insights reflecting your trading decisions. You may use these valuable insights to adjust your trading in the future.

Increased Efficiency

Aside from creating more accurate insights, CTRM software also increases your efficiency. Your company no longer needs to spend vast resources collecting and aggregating data, as CTRM automated systems can do this without manual supervision; thus, your time and resources are freed up and available for you to put to better use.

Better Risk Management

CTRM systems allow for more effective risk management by providing a comprehensive view of market conditions. With this data at your fingertips, you'll be able to manage risks better.

What Is the Difference Between CTRM and ERP?

Enterprise Resource Planning (ERP) software's appeal lies in the fact that they have tried and true track records and are made available by trusted and well-known brands. Suppliers of ERP software have deployed solutions covering a vast range of industries, business types, and business structures.

ERP systems also often promise operational and cost efficiencies. ERP programs can perform many business functions, thus minimising the expenses related to licencing, upgrading, managing, and maintaining.

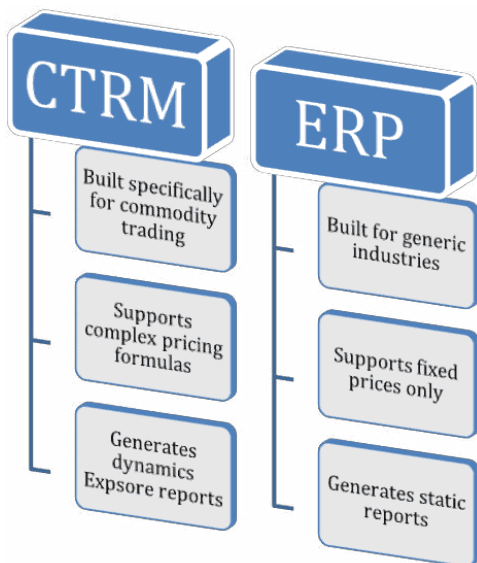
If you have invested significant time and resources into ERP software, it may be appealing to think that you can use ERP to manage commodities; however, developers did not make ERP software to meet some of the unique and complex needs of the commodities business.

Contrasting ERP software, a CTRM system is designed to meet the commodities industry's complex needs. Compared to ERP software, CTRM software tends to feature improved functionality; better risk management; and, consequently, a much better return on investment than customised ERP software.

Developers build CTRM software systems with flexibility and adaptability in mind. This flexibility is especially vital when it comes to the ever-changing commodities market.

Consider how you buy, sell, ship, store, invoice, account for, and value commodities. Unlike most other manufacturers, commodities businesses have to deal with prices and valuations that can change throughout the supply chain. An ERP system that can only handle fixed prices does little to help commodities buyers with more complex pricing models and formulas.

ERP software, unlike CTRM software, tends to struggle to create contracts where there isn't a defined price and where various exchanges and exchange types produce monthly, daily, or even hourly market prices. Additionally, they can't handle dynamic P&L or exposure reporting.



ERP software is not useless. It is more than capable of handling fixed-price procurement situations, such as purchasing raw materials at a fixed price, in a fixed place, and at a specified time. But ERP software will need extensive modifications to handle dealing with commodities and their associated risks. Even then, the most customised ERP systems won't serve you as well as reasonable CTRM solutions.

What Should You Look for When Choosing a CTRM Solution?

When choosing a CTRM solution, you should look for a system that can handle the front office, middle office, back office, and top management. Below are some specific features you should look out for when comparing possible CTRM solutions.

A good CTRM solution should be able to manage the entire lifecycle of a continuous or single transaction. This includes, but isn't constrained to:

- Paper trades with OTC swaps (spreads, cracks, and margins), options, futures, and CFDs
- Physical trades with operations, settlements, and logistics – including escalations, multi-currency, and complex formula pricing
- Scheduling and managing transportation by barge, rail, vessel, aeroplane, or truck
- Managing events like title transfer and deal approval
- Inventory management
- Overseeing strategy costs and secondary costs

Using up-to-date market data, your CTRM solution should allow you to track, report, and manage your risks in real time. Functionalities related to this include:

- Risk map of short and long positions, complete with physical and price views for each deal or part of a more extensive portfolio
- Position analysis relating to product types, location, and company
- Stress testing and value at risk calculations (variance-covariance, historical, or Monte Carlo)
- Mark-to-market analysis
- Cash flow simulator and forecasting

- Trading and credit limits
- Keeping track of storage costs, logistics, and their impact on P & L
- Managing freight and demurrage; FFA options, FFA; and spot and time charters
- Actualization and tracking of processes and events (certification, B/L, grading, testing, and sampling)

Regarding the back office, you should be able to configure your chosen CTRM solution to automatically send confirmation notifications to others including management to clear communications and avoid overlapping efforts. Your CTRM system's back office features should include:

- Monitoring of credit limits
- Receivables/payables and liquidity forecasts
- Invoice generation
- Defining user permissions for updating, creating, deleting, or viewing certain system areas
- P & L cost analysis

Finally, your CTRM software should support the top management by providing accurate and insightful decision-making and real-time monitoring tools. Your company's top management should be able to make use of your CTRM's:

- Comprehensive reporting capability
- Customizable analytics interfaces
- Position, P & L, and P & L change reports

Select ComFin Software's Comcore CTRM Software

ComFin's "Comcore CTRM" software suite combines the latest bleed-edge technology with decades of experience in commodity trading and risk management application development. With this combination, you can find in Comcore CTRM the most competitive and feature-rich solution on the market.

The Comcore CTRM software is a complete package featuring front, middle, and back office features. It's flexible; you can use it as a standalone solution, or you can choose to integrate it into your existing software infrastructures, such as Oracle, SAP, or Navision. What's more, you can connect Comcore with international futures exchanges at the push of a button to capture trades.

Here's a bit more of what sets Comcore apart:

- Strong capability in developing tailor-made solutions that overcome your company's unique challenges
- Consulting and development services backed by renowned industry experts
- User-friendly and affordable services
- Modular licencing – only buy what you need
- No outsourcing or referring to call centres – experts at ComFin Software help you directly
- Elimination of dependency by obtaining the system source code
- User-specific language setting for the entire solution

Final Thoughts

If you're looking for an all-in-one CTRM solution to meet your unique business needs, contact ComFin Software today.

Customers from around the globe have been trusting ComFin Software since 2005 as a reliable leader in developing affordable, comprehensive, and agile financial risk management software solutions.

We have decades of experience assisting companies across the globe to cut their risks in volatile markets by arming them with the resources, knowledge, and administrative processes they need to trade commodities effectively and efficiently.

About ComFin Software

Since 1997, ComFin Software has been trusted as a global leader for affordable, comprehensive, and agile financial risk management software solutions – categorised as CTRM (Commodity Trading and Risk Management). ComFin Software has helped companies across the globe to minimise their exposure to volatile markets by arming them with the knowledge, resources, and administrative processes they need to perform commodity trading successfully.

With the CTRM solution Comcore™ you will have the perfect tools to maximise your profits by minimising your financial risks.

Instead of having to deal with paperwork, or maintaining, updating, and reviewing multiple

spreadsheets, the Comcore™ system helps you streamline everything from trading futures and options to their underlying commodities (i.e., paper and physical markets).

The complete Comcore™ software is available in 108 languages.

Furthermore, ComFin Software is recognised for its ability to provide consulting services in all aspects of commodities trading.

For detailed information go to www.comfinsoftware.com