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HSBC launches new scenario risk tool on Google Cloud for risk and trading teams

Bank plans to pilot tool for measuring climate change risk on trading book

(London) – HSBC today announced it has launched a new innovative solution on Google Cloud to manage credit risk more efficiently in its trading portfolio.

Using Google Cloud technology, the **HSBC Risk Advisory tool** enables the bank’s traders and risk managers to run multiple “what if” scenarios simultaneously and quickly, to identify capital requirements necessary to cover potential rating downgrades and default risk of credit products, such as corporate bonds.

The HSBC Risk Advisory tool harnesses the power of cloud computing, where billions of data points are generated, with results delivered in minutes, allowing HSBC traders to better manage their trading portfolios on an intraday basis.

HSBC’s market risk digital development team is now looking to build on this innovation to include the impact of climate risk on the trading book. The HSBC Risk Advisory tool would take into account the rating agencies’ ESG scores to assess where trading portfolios may be more susceptible to climate change risk.

Ajay Yadav, Global Head of Fixed Income & Digital Strategy for Traded Risk, HSBC, said: “The computing power of Google Cloud makes it much quicker to run complex simulations for many different what-if scenarios, providing a more holistic risk picture of trading for optimum decision-making. HSBC’s digital development team built this innovative capability in less than five months in collaboration with Google Cloud. The focus now is to take the HSBC Risk Advisory tool and integrate climate risk into it as a proof of concept, which we are aiming to make available in the next few months.”

Adrian Poole, Director, Financial Services, UKI, Google Cloud, said: “Through our continued partnership, we are bringing the best of our cloud capabilities to help HSBC develop innovative data and analytics solutions in evolving risk areas. It’s exciting to see how financial services organisations like HSBC are embracing cloud technologies and building powerful solutions to empower faster and more informed decision-making, including for climate change-related risks.”

One of HSBC’s key strategic pillars is to digitise at scale across its international market network, by using technology to create better customer experiences, make the bank more efficient, and open up new growth opportunities. Integral to this is being a data-led organisation – to unlock new insights and value for customers.

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News Release

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About HSBC

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,976bn at 30 June 2021, HSBC is one of the world's largest banking and financial services organisations.