



How to Choose a CTRM System

By asking the right questions about your business requirements, you can determine which commodity management software platform is the best option for your enterprise.

A close-up photograph of a person's hand typing on a computer keyboard, with a blurred background of a computer monitor and other office equipment.

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After months, years or perhaps decades with your current software system, you've decided to upgrade your commodity trading and risk management capabilities. You've already begun your research, and you've determined that a modern platform that will allow you to compete profitably in the rapidly changing global economy makes the most sense.

That's certainly the first important step: Knowing that you can benefit from an integrated commodity trading and risk management system, or CTRM. But the second step is even more critical, because now you have to decide which type of system, and ultimately which vendor, is the right one for you.

The CTRM Difference

CTRM software is intended to bring transparency to complex portfolios that can consist of physical and financial positions across a variety of commodities. A multifaceted system can increase trader productivity, more effectively manage risk, improve accounting and settlement, and simplify compliance. You have to look closely though, because while some software is built to support the entire deal to cash process, some products might be focused on only one specific area. Before you purchase your software, take the time to fully examine how a new system will enhance your business and satisfy your requirements.

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We needed a centralized ETRM system to manage our energy trading business, and we selected the Allegro platform because we found it innovative, sophisticated and adaptable to our trading and risk management needs. We strongly believe that Allegro's technology will help us achieve better portfolio, trade life cycle and risk management, which are ultimately our business goals.

- Said Al Maawali, VP Petrochemicals and Business Development, Oman Trading International

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COMMODITY COVERAGE

How broad is your commodity coverage? Perhaps your concentration is crude oil transportation or natural gas processing, or maybe you have a company that trades in many commodities. How do you handle the procurement of fuels or feedstocks necessary for your business? How many countries or regions outside your home market will affect your business? How does the solution handle foreign currency or volumetric functions that will be required? A complete solution will provide effective coverage for myriad commodities, and a clear and simple path to support your business as it grows.

CRITICAL FUNCTIONALITY

While an effective CTRM is the “nervous system” of your commodity management, integration and support of different systems is sometimes required. To what extent do you want your CTRM to have accounting capabilities? What about integrated compliance functionality and the ability to keep up with changing regulations in markets around the world? Then there's the entirety of the risk management realm - how are you going to handle it? Naturally, these are key components of your business, and although you may want to continue relying on your current solution, a comprehensive CTRM might make sense for coordinating these business aspects.

SCALE & PERFORMANCE

For many smaller books, it may possible to run your business through spreadsheets or small SaaS solutions. But as your business, transaction volume, reporting, valuation, compliance requirements or market coverage expands, a more robust CTRM will be required.

POSITION VISIBILITY

Do you have the true view of your positions in real-time? Delayed or incorrect position reports, incomplete pricing data or unknown exposure due to disparate data streams or changes in logistics hinder effective trading decisions. With a properly designed system, you can have a complete view of your financial and physical positions. That means when you're dealing with futures and physical commodities, you'll be able to make decisions quickly - decisions that can lead to profit potential.

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HOW BROAD IS YOUR COMMODITY COVERAGE?

Perhaps your concentration is crude oil transportation or Adding new functionality: You don't want to invest the time, effort and cost to install a system only to find out it has no ability to scale as your business grows. Ask whether you can extend or alter the software on your own or to what extent the vendor can provide updates and new tools. You might find that, even after installing a well-rounded system, you need to "customize" it to a certain degree. This matters, because otherwise you might be waiting years for an upgraded version of the software you just bought, and custom development is expensive to complete, maintain and support.

LICENSES

Naturally, you want to be as conscious about expenses as possible. That's true of any part of your business, and purchasing a CTRM is a big decision, with costs varying quite a bit in the industry. Be sure you understand all the fees, how renewals are charged and how many licenses you need now and whether you might require more in the future.

IMPLEMENTATION

While there are often common requirements, the varied nature of CTRM use means the implementation time to live and costs can be wide ranging. The best CTRM companies have the ability to deliver with phased approaches that allow for quick return on investment (as little as weeks) while leaving a clear path for more robust implementations. Be wary of CTRM that require you to make significant changes to your business processes to fit their inflexible solutions.

LEARNING AND TRAINING

You have a team of smart, hard-working commodity professionals, but that doesn't mean they have a great deal of time to dedicate to learning a new commodity trading and risk management system. Ideally, you'll find software that can achieve what your traders and other team members need to improve at their jobs, but that doesn't require much time to learn. Still, you do want to know if training is available once the system is in place, as that will be relevant to both existing and future employees.

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In today's business environment, risk management is crucial for providing decision support, managing compliance and the overall business. With Allegro, we selected a modern commodities management system that provides the visibility, necessary functionality and adaptability to move into the future with confidence.

- Preben Richter, Head of Risk Management,
Hydro Energy

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ACCESS TO OUTSIDE SYSTEMS AND VENDORS

Consider how closely you want your software system to tie in with pricing data from exchanges such as Intercontinental Exchange or with news and information providers like Bloomberg. Similarly, be sure to think about whether any software you plan to continue running can integrate with your new platform, as well as what new needs or capabilities that may be required in the future.

SUPPORT

Maybe you think contacting your vendor's help desk is important only during your normal business hours. Maybe most days that's true. But it won't always be. That's why you should ask your prospective vendors what kind of support they offer if you have an issue at 2 a.m. on the day of a national holiday. While you're at it, if you're operating in multiple countries, find out about time-zone support and whether their team can speak multiple languages.

IN THE CLOUD OR IN YOUR OFFICE

Cloud-based software implementations have changed the way many businesses operate, saving many of them money, and they're likely going to become more common. By relying on the cloud, you can hand over security, storage and other tasks to experts who are equipped for the job. However, some buyers may still prefer an on-site installation. Find out if your vendor has one or both, then talk to your IT team members about the preferred option.

VENDOR EXPERIENCE & VIABILITY

There are many providers that do some portion of CTRM and even more that claim that they do.

- How viable are the vendors you are considering? Have they been through multiple business cycles?
- Have they continued to keep pace through innovation in both good times and bad?
- Do they have staff with deep industry and technology experience?
- How does their balance sheet look?
- Your CTRM "nervous system" is going to be the heart of your commodity business for years to come - is the vendor ready?

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Get the Right Solution

When commodity firms make the move to a CTRM, they're looking for better profit margins, faster trades, more efficient business process and a way to solve problems for front, middle and back office employees.

The commodity markets require solutions that enable rapid reactions. To perform at peak levels, commodity organizations need deal capture, decision-support tools, logistics-handling and clear insight. The challenge is finding a system that meets all their needs.

Allegro is forward compatible solution that will grow and change with your business, without expensive and risky customization. Allegro's position visibility, risk management, regulatory compliance and controls can be implemented [this still needs some love]

Allegro's CTRM software is built to be that system. Contact us today to learn more about how we are built for your business.

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We invite you to learn more about the proven tools that are available today. With Allegro, you can achieve your business objectives and profitably to manage your portfolio.

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About Allegro

Allegro is a leading provider of commodity trading and risk management software for power and gas utilities, refiners, producers, traders and other commodity consumers.

With more than 30 years of industry expertise, Allegro provides real-time intelligence and decision-making capabilities, from the source of the commodity through transportation to the commodity consumer.

Allegro's software provides the intelligence companies need to manage physical and financial positions and to optimize their assets and portfolios using tools that quantify and mitigate risks. Headquartered in Dallas, Texas, Allegro also has offices in Calgary, Dubai, Houston, Jakarta, Kuala Lumpur, London, Singapore and Zurich, along with a global network of partners.

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