Request for Proposals: Commercialization Partner for Automated Financial Risk Reporting Prototype

Purpose of this RFP:

The purpose of this Request for Proposals (RFP) is to identify and engage a qualified business partner to commercialize at least one of the following prototypes that are in the process of being developed under the SNF-funded Data Driven Financial Risk and Regulatory Reporting (DaDFIR3) project that is a collaboration between Zurich University of Applied Sciences, University of Zurich and Applied University of Lucerne:

1) Reporting and risk analysis tool that can access a globally standardized database for financial contracts, with the aim of making the reporting process for financial risk monitoring more timely and flexible at significantly reduced costs. In particular, automated, timely and flexible stress testing will be available, with the ability to drill down to the most granular level of individual contracts. The standard simplifies automated risk aggregation, management and reporting both within individual institutions and across institutions/geographies and has the potential to revolutionize the booking and risk management of financial products in the same way that the invention of containers revolutionized the transport of goods.

2) Prototype for mapping DeFi products on ACTUS contracts showcasing how real data from blockchain transactions can be integrated and utilized to calculate cash flows. The prototype specifically focuses on two DeFi products: a Stablecoin and a Decentralized Exchange (DEX). The primary goal of this prototype is to establish a seamless and accurate connection between blockchain data and the standardized financial contract framework provided by ACTUS. This mapping approach has the potential to bring standardized financial reporting and risk management capabilities to the DeFi ecosystem. By utilizing ACTUS contracts, the prototype simplifies the process of risk aggregation and reporting, making it more timely, automated, and cost-effective. This standardization could transform how DeFi products are booked and managed, much like standardized shipping containers revolutionized global trade logistics.

The selected partner will collaborate closely with our team to develop an industry-grade solution by leveraging one or both prototypes and will be responsible to bring the product to market. This partnership presents a unique opportunity for the chosen company or entrepreneur to gain exclusive rights to a visionary product in the financial services industry, including the proprietary intellectual property (IP) associated with the final solution. If needed, we will collaborate with the chosen partner in a way that our solution will integrate into an existing product suite.

The chosen business partner will have the chance to fully leverage our research and development, and to contribute with own expertise in financial markets, product commercialization and distribution to unlock the full potential of our innovative IP. The outcome of this partnership is expected to set new global standards for financial risk management and regulatory reporting.

Background:

The project Data Driven Financial Risk and Regulatory Reporting (DaDFIR3) is an SNF-funded project that has the goal to deliver an automated solution for financial reporting and risk monitoring with flexible, forward-looking analytical capabilities. Due to extensive standardization and resulting possibilities for automation, our solution will significantly reduce regulatory reporting costs across the financial industry by replacing the existing approach with scalable, standardized, state-of-the art infrastructure components as prerequisite for automated aggregation and consolidation.

Our approach will be a breakthrough for any type of financial organizations as well as for financial authorities, as they get access to standardized, timely information covering all financial markets with data at an appropriate level of granularity, so they can track in quasi real-time the development of the financial system as a whole, as required for timely intervention when a financial crisis is developing.

In the framework of this project, we will develop realistic prototypes that are expected to be integrated into one or more commercial products and distributed by the selected business partner. The prototypes leverage the scientifically rooted and field-tested ACTUS standard for digital representation of financial contracts (cf. https://www.actusfrf.org/) that recently gained considerable traction.[1] Moreover, during the last two years we have created a lively and valuable community of supporters, advisors and committed experts from academics and industry that will support us and enhance chances for commercial success.

Project Status:

At present, we are at just over half-time of the 4-year project. Until now we have built the core of an ecosystem that provides the different components required for running the system in form of a containerized cloud-based infrastructure. This includes an R package that supports the modeling and reporting functionality as well as simple, web-based demonstrations of basic risk analysis and reporting capabilities. In addition, a DeFi module aims at integrating DeFi products by mapping them to traditional financial (TradFi) contracts via the ACTUS standard. Finally, an agent-based model for simulating the influence of CDS on financial risk has been created.
An overview of this development is available in form of a conference presentation and prototypes.

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[1] A precursor of this standard is used in the Wolfter Kluwers risk analytics solution OneSumX.

Objective:

After having led solid infrastructure foundations, we will devote the remaining 18 months of the project to extend our R&D to a realistic prototype that is scalable to deal with realistic, market-scale data volumes. This will be done to a large extent in close collaboration with the European Central Bank. Our approach will be valuable for individual institutions such as banks as well as for regulatory authorities, whereby the latter might act as multiplicators across their constituencies. One feature is the possibility to perform flexibly defined stress tests timely and frequently in an automated way. A second crucial feature is the possibility to seamlessly aggregate data within an institution and even across institutions. Our business partner will get access to our entire code base for further development of the functionality and integration into their existing products. The main role of our business partner will be to turn the prototype into a commercial product and to bring it to market.

Our requirements for commercialization partners are as follows:
- A proven track record in dealing with financial models
- Proven capability to turn prototypes into innovative industry-grade products
- An established distribution network to bring new products to market
- Experience in collaborative ventures with academic or business networks
- Entrepreneurial mindset & strong international network including several players in the financial services space.

We envisage close collaboration to define detailed product functionality. The rights of the prototypes being developed for commercialization will be exclusively with the business partner. Even though so far the software has been developed under an open source license, the code base has not yet been published. If required, the rights can be transferred to the business partner.

The joint venture is expected to be a win-win set-up with the realization of extensive synergies. The benefit to the business partner will be the access to R&D developed by renowned universities including working prototypes for a novel product in the financial services industry together with the exclusive ownership of its IP for commercial purposes. The legal structure of the collaboration will be jointly defined by the business partner and the research consortium.

This request for proposal is addressed to the following group:
- Innovative companies in the field of financial services including fintech that want to realize the business potential of the work products.
- Experienced entrepreneurs with track record in setting-up companies in financial services, who want to commercialize a DaDFIR3 prototype through a new start-up.

Evaluation criteria:

We will rate incoming proposals according to the following criteria:
- Approach/Methodology (50%)

- Track record of company (30%)
- Track record and impression of/by proposal leader (20%)

Instructions and Timeline:

- Confirmation of participation: 13.9.24
- Submission of questions: 27.9.24
- Response to questions: 11.10.24
- Submission of proposal: 25.10.24
- Contract award / notification to bidders: 15.11.24
- Project start: 1.12.24
- Project completion: 31.12.25

Point of Contact:

Additional information is available upon request from Prof. Henriette Elise Breymann (email: henrietteelise.breymann@zhaw.ch). Interested parties are requested to send their offer including a commercialization strategy to this address.