Sell-Side Technology

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IHS Markit's Commodity Tracker Digitizes Tracking of Base Metals Inventory

IHS Markit has launched Commodity Tracker, a service that consolidates and digitizes the tracking of base metals inventory, reducing operational risk for trading firms dealing in the space by offering an automated system that replaces manual processes.

Commodity Tracker covers nine base metals—aluminum, aluminum alloy, Nasaac (North American Special Aluminum Alloy Contract), copper, lead, nickel, tin, zinc and cobalt—by gathering metal shipping data from over 75 commodity warehouses through bills of lading, warehouse receipts, warehouse releases and stock reports. The system then digitizes and normalizes the information.

Garth Leonard, director of commodities services at IHS Markit, tells WatersTechnology clients reached out to the vendor about addressing pain points in the commodities space through automation.

"In commodities trading operations, there is a ton of paperwork flying everywhere. Logistics teams and operations teams have to manage a diverse flow of paper in supporting the movement of physical base metals," Leonard says. "They have to extract that data, transcribe that into what is typically Excel spreadsheets on their desktops and reconcile that against their internal trading systems."

Once Leonard and his team recognized a potential gap in the market, the firm was able to develop a product within six months. IHS Markit's speed to market is thanks in large part to using the same technology that's in the firm's Notice Manager, an online document management service that deals in the syndicated loans space, Leonard says.

The goal from the outset was to design Commodity Tracker so that nothing needed to change from the perspective of the warehouses, Leonard says. All documentation will be accepted. Optical character recognition is used to digitize an image format, such as a PDF, Leonard says. Machine learning is then applied to make sense of all the different types of characters or acronyms used to identify metals.

"The data are in there somewhere, but it's coming out in different formats, different flavors and it's a real operational, manual burden to comb through the document to find the necessary data," Leonard says.

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Leonard says currently there are systems in the space that manage inventories, but he's not aware of any that automate the digitization of the paper workflow. Commodities trading and risk systems (CTRMs) still require manual input.

The biggest value add for customers, according to Leonard, comes through the reconciliation process, which is fairly manual and traditionally requires plenty of staff support.

"There are internal service-level agreements from their compliance teams to reconcile what the warehouse tells them they have against what their internal trading system tells them they should have," Leonard says. "So a lot of our automation has been designed to support that reconciliation and really reduce the manual involvement to managing exceptions."

Leonard says IHS Markit is looking at expansion through adjacent asset classes, mentioning oil and agricultural products in particular. The firm has already done a proof of concept with a customer for oil inventory data, he says.

As IHS and Markit continue to recognize different synergies following the initial announcement of their merger in March of this year, Leonard says there is also the potential to use some of IHS's ship tracking data.

"We're looking to develop a platform that really gives the holistic view of the commodities inventory," Leonard says.

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