KYNEC | APTONOMY

Webinar : OTC Pricing in a volatile market place

1: Thanks both for the presentation! Question for Phil - thinking of first mover advantage and risk management, where do you see emerging challenges that firms need to manage, and perhaps have weaknesses in their data connections today?

Answer: Phil Staddon – "I would call out two things. (i) legal documentation terms which need to be managed at the portfolio level. Typically, these are the weakest area for most firms and the industry. If you think about legal terms as a limited resource and taking contingent liabilities as an example, you may have need to give up language for some franchise clients. You need to decide on the risk appetite and how and who should get them. (ii) the increasing pressure to use more collateral, which exposes differences in collateral terms between the client trade and hedge trade. Be that with a client with no VM or IM vs. the hedge trade interdealer with both VM and IM. This difference could increase intraday liquidity. This creates a move from credit risk to liquidity risk."

2: Question for Robert, what sort of funding savings did you realise at ING?

Answer: Robert McWilliam – "our original business case anticipated €500k annual savings. Since then, and working with other banks, I'd say this was pretty conservative. More like €500k to €1m annual savings - depending on portfolio size and composition."

3: Robert if you were at ING now, which bit of your framework would you do first?

Answer: Robert McWilliam – "CCP because of the big collateral numbers - $2tr IM globally – so a modest improvement will result in big P&L benefits. Relatively easy to implement since CCP are external data sources and so no internal IT resources are required. This allows you to build the foundation for next phases eg Analytics to deliver more 'quick wins'."

4: Question for Phil, is first mover advantage only relevant for crisis management?

Answer: Phil Staddon – "First Mover advantage is very clear in crisis management. Better organised data helps you get your calls in first which helps with liquidity management. Client P&L monitoring enables you to follow trends which will help inform your business strategy and potentially make better returns. Generally though, responding quickly to client requests helps build trust."