



DERIVATIVES-AcadiaSoft adds Quantile swaps optimisation tool

Reuters, November 14, 2016

By Helen Bartholomew

LONDON, Nov 14 (IFR) - Derivatives risk optimisation firm Quantile Technologies has partnered with industry margin hub AcadiaSoft to launch a counterparty risk-reduction service that aims to lower costs for participants across the US\$544trn over-the-counter derivatives market.

The service aims to reduce counterparty risk between market participants - a contributor of systemic risk - by identifying trades and rebalancing strategies to optimise portfolios. The analysis is based on data that are already being inputted into the AcadiaSoft platform for new margin requirements on uncleared trades, including swaps, options and undeliverable forwards.

"In this day and age, most banks run fairly flat books, but at any given time they may have longs or shorts with a particular counterparty," said Stephen O'Connor, chairman of Quantile Technologies.

"Our service identifies risk reduction opportunities, whether new trades or unwinds, to flatten out the ups and downs that drive risk, CVA/XVA charges, initial margin and affect stress tests."

Reducing counterparty risk can drive significant capital savings and operational benefits. Early tests of the Quantile tool with G14 banks have shown savings as high as 50%, depending on portfolio type, according to O'Connor.

Biweekly run frequencies are anticipated but will be agreed with individual users depending on trading volumes and risk concentrations of individual asset classes. Each analysis results in a list of recommended trades and associated savings.

The technology will be available as a premium service on AcadiaSoft, the industry-backed margin hub that represents a collaborative response to new rules that place margin requirements on uncleared derivatives.

Those rules went live in September and the platform is used by all 26 banks posting initial and variation margin on their uncleared exposures.

The Quantile service adds a new dimension to the margin hub, which allows market participants to communicate on derivatives exposures and manage commitments and adjustments between counterparties.

"Combining the Quantile analytics service on top of the consolidated risk platform is a unique proposition to users of the hub," said Chris Walsh, CEO of AcadiaSoft.

"We always looked to be a one-stop shop for shared services and we're looking at best-of-breed partners to create industry value and expand the community of users."

Quantile was formed in 2015 by a team of derivatives professionals with experience across risk management, CVA trading, clearing, quantitative analysis and trading technology.

In addition to O'Connor - a former ISDA chairman and Morgan Stanley clearing head - the Quantile management team includes Andrew Williams, co-founder and CEO who held senior trading and risk management roles at Morgan Stanley, and James Shepherd, chief technology officer, who was head of the core analytics group at Morgan Stanley.

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