

Cleared Derivatives Processing: A Strategic Approach

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Executive Summary:

Central clearing and trade reporting are at the center of global financial reform. Following the implementation of swaps central clearing requirements in 2013 and swap trading requirements in 2014, cleared derivatives operations teams at investors and dealers alike must now shift their trade processing approach from a best-efforts basis to ensure compliance to one that develops best practices that will endure over time.

Macroeconomic forces, regulations and other factors are driving a steady increase in cleared derivatives volumes, which has put further pressure on already overburdened back-office teams. Clearly the old way of doing things won't work—the industry needs to move on from manual processes for confirming trades and matching trades in anything but real-time.

These practices create unnecessary risk for trading desks during a time when a speech from a policy maker could create unexpected market movements in seconds. Industry collaboration is crucial to overcoming the challenges of trade processing.

While the shift to central clearing has created short-term complexity in the swaps market, the long-term effects should be positive. The resulting workflow is one that is more automated than was ever the case in the bilateral market.

Methodology:

During the month of January 2014, Greenwich Associates conducted telephone interviews with 51 operations professionals at both buy-side and sell-side firms to understand the current state of the exchange-traded derivatives (ETD) market.

Respondents were asked how regulatory changes across the globe impact risk management, trade support, work-flow processes, trade reporting, and client service for ETDs. Study participants included 19 respondents from North America, 27 from Europe and 5 from Asia.

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