



AsiaRisk Awards 2022

Risk.net October 2022



Pricing and trading system of the year
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It is an interesting time for traders. In the past year, there have been reversals in trends that have driven markets over the past decade. Some examples include stocks declining in price after 10 years of continuous growth, interest rates up from negative territory, and a sudden interest in commodities while many banks had closed their desks over the past five years.

Matthieu Avanthey, head of product management, Asia-Pacific (Apac) at Murex, says that as a result, financial institutions across the Apac region are seriously reconsidering their playbook.

“There are a lot of new opportunities arising, and our customers are certainly gearing up to grab them: energy trading is back, emissions are coming up as a new asset class, institutions are starting to build up their cryptocurrency trading capabilities, and their clients are beginning to ask for protection against inflation,” he says.

In addition, changes in regulation and practices such as the Fundamental Review of the Trading Book in several jurisdictions, bilateral initial margin phase six, or the InterBank Offered Rate (Ibor) transition are coming into effect.

If that’s not enough, trading desks also have to deal with great volatility and uncertainty in all markets. “In this context, it is far from simple for trading leaders to build a strategy, adapt their business and ensure a smooth continuity of their activities,” he says. Murex works with its clients to provide them with the tools to deliver this and remove the worry of system capabilities from their list of concerns.

MX.3, Murex’s flagship platform, supports trading, treasury, risk and post-trade operations. It helps clients meet regulatory requirements, manages risk and controls IT costs.

Avanthey says MX.3 was ready to deal with many of these concerns. “MX.3 is not a fair-weather only system,” he adds. For example, its clients could benefit from Murex’s multi-curve analytics, in the context of the Ibor transition. Murex’s long-term investment into high-performance computing and elasticity also allows a larger number of analysis scenarios during stressed markets.

During the past year, Murex has focused heavily on new business opportunities in the region. It has been strongly positioned on inflation trading for some time. Its commodity offering is “battle-tested” across different lines, from precious metals to energy and base metals to agriculture. Clients starting or rekindling their commodity businesses have the necessary tools to get started.

However, carbon trading in Apac is a new development. The UN Climate Change Conference (COP26) has driven a wave of changes in the world, with country-by-country pledges of carbon reduction, facilitated by emissions trading systems, and the emergence of a worldwide carbon offset market. “Financial institutions across Apac are setting up new car-



Matthieu Avanthey, head of product management, Apac, Murex

bon emissions trading desks, and we have been hard at work building the right solutions for each market. From global voluntary carbon to each specific country compliance market, there are a lot of details to get right,” he says.

Murex has also been working with a client in the region to develop and pilot a new offering for cryptocurrencies. “After a few wild years, this market is now on a tipping point of institutional adoption, and we are now ready to equip our customers and accompany them on this new journey,” he adds.

Avanthey says Murex continues to cater to clients within the region by listening to its clients and the market, a task that may not come as easily for other providers to implement.

It has deployed more than 80 trading consultants across different locations in Apac, partnering with clients to understand their specific needs. Murex’s regional trading product managers then ensure those needs are properly understood, prioritised and integrated into its global product roadmap.

For example, Murex has delivered country-specific solutions to the different challenges generated by the Ibor transition, such as support for the transition of Asian foreign exchange implied indexes, including the unique two-step conversion process in Singapore and Thailand.

But not everything is country-specific. For example, for the Ibor transition, Murex built and delivered pricing models for complex non-linear products, which apply throughout the region.

MX.3 also uses analytics, what-if tools and high performance and scalability to enable trading desks to handle volatile markets.

One example is how clients handle the risk of autocallable portfolios. Autocallables is a structured product that can return the capital and interesting coupons if a basket of stocks all remain stable or go up, at the expense of losing part or all the capital if one of the stocks plunges.

“Due to the complex risk profile and discontinuities of these products, it’s probably one of the most challenging businesses to handle when markets are in turmoil. Traders need a number of key system features to be able to control their risk,” Avanthey says.

One example is traders need a comprehensive risk view that shows both immediate and potential risks. MX.3 provides a complete picture, from comprehensive Greeks on all risk factors to discontinuity risks.

“Each business line has similar needs – the right figures, a complete risk view and quick results – which can translate into different technical solutions,” he says. ■