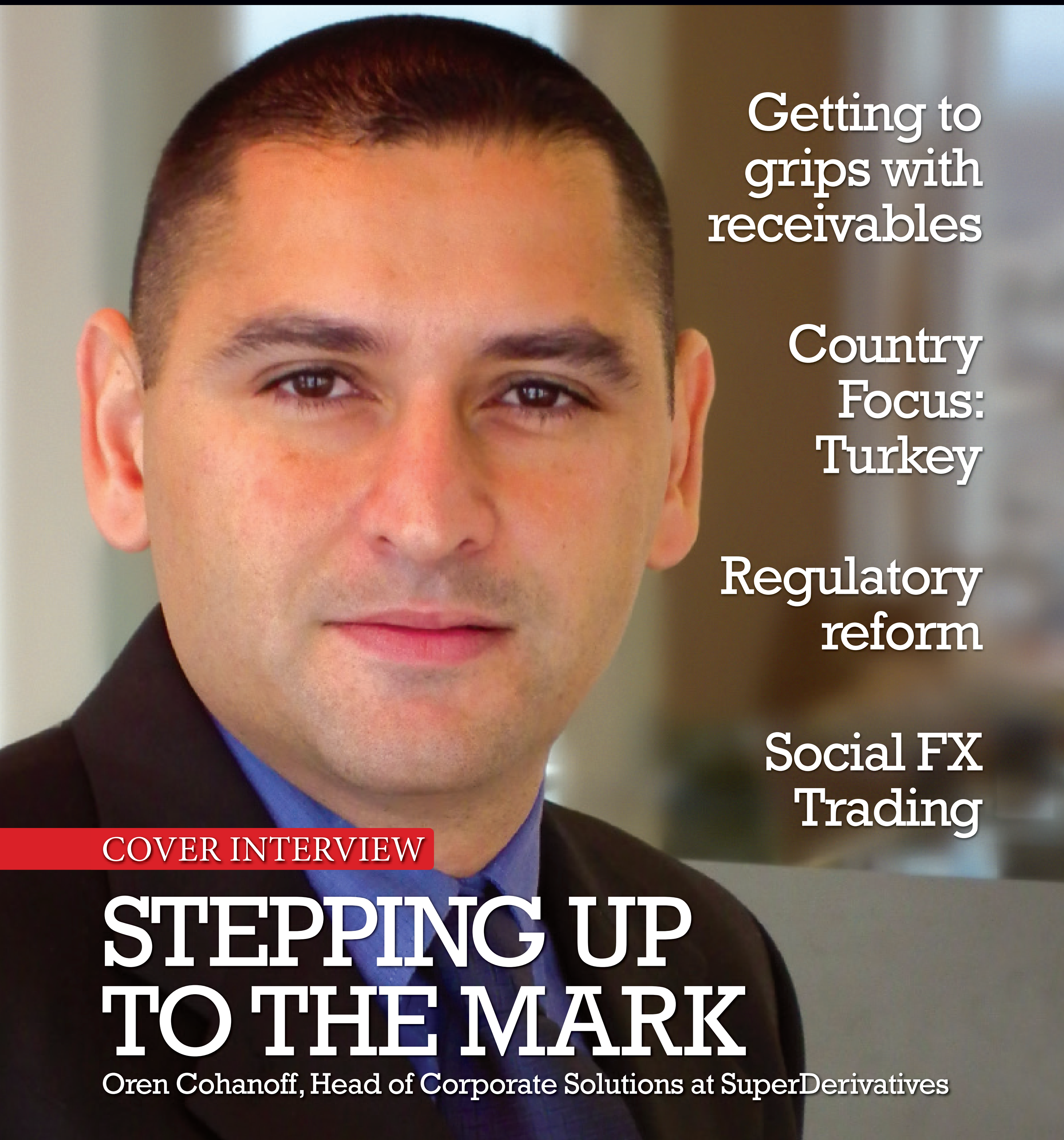
FX-MM

fx-mm.com

December 2011/January 2012

trading | treasury | technology



Getting to grips with receivables

Country Focus: Turkey

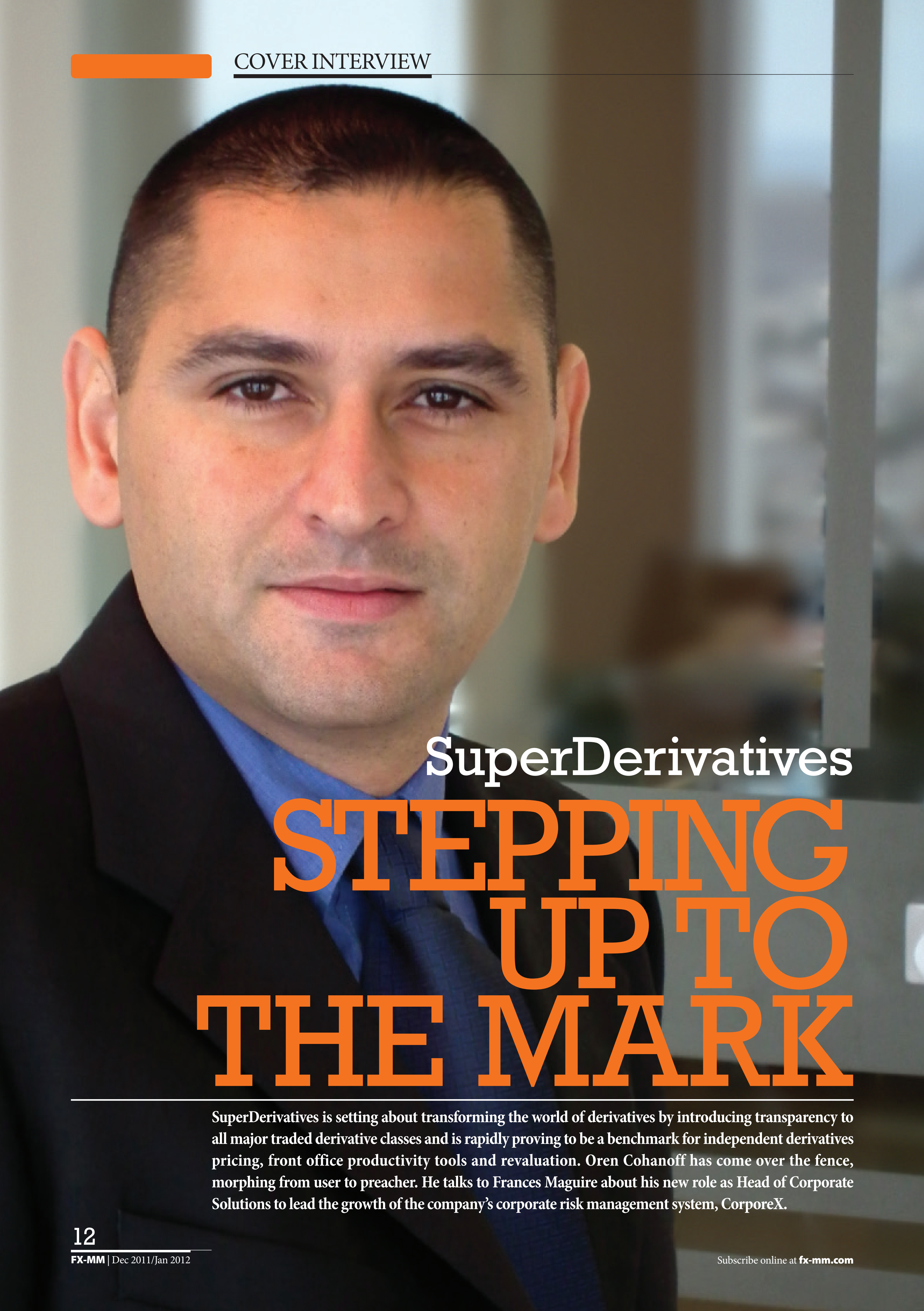
Regulatory reform

Social FX Trading

COVER INTERVIEW

STEPPING UP TO THE MARK

Oren Cohanoff, Head of Corporate Solutions at SuperDerivatives



SuperDerivatives

STEPPING UP TO THE MARK

SuperDerivatives is setting about transforming the world of derivatives by introducing transparency to all major traded derivative classes and is rapidly proving to be a benchmark for independent derivatives pricing, front office productivity tools and revaluation. Oren Cohanoff has come over the fence, morphing from user to preacher. He talks to Frances Maguire about his new role as Head of Corporate Solutions to lead the growth of the company's corporate risk management system, CorporeX.

Oren Cohanoff joins SuperDerivatives (SD) from Teva, the world's largest generic pharmaceutical corporation, where he was Deputy Treasurer and Global Head of Financial Risk Management responsible for hedging policy, execution and compliance in the treasury group for all the subsidiaries. In his eight years at Teva he relied on SuperDerivatives' multi asset front office systems for its accurate pricing and position management in addition to using CorporeX itself after the product was launched. Prior to joining Teva, Cohanoff was a trader for vanilla and exotic derivatives in FX and rates for Bank Leumi.

In his new role, Cohanoff will apply his extensive and proven expertise in corporate risk and exposure management as well as hedge accounting in order to drive the strategic growth and development of SuperDerivatives corporate risk management system, CorporeX.

Cohanoff comments: "The demand for corporate risk and exposure solutions has been increasingly evident as corporations become more responsive to these challenging market conditions. CorporeX is truly leading the way for a comprehensive solution, providing clarity and transparency to the corporate hedging process in addition to the pricing analytics needed to negotiate and hedge with optimal effectiveness."

SuperDerivatives developed CorporeX to bring clarity and transparency to the corporate risk hedging process, bringing a better view of the company's total exposure to treasury and providing the tools to support more effective hedging. It can be integrated with core systems to automatically import underlying, actual and forecast exposure to currencies, interest rates and commodities to ensure that all the company's risks are held, and managed, in one system.

Designed under the guidance of its corporate clients, it is the next generation in corporate exposure management and risk compliance. Its unprecedented level of hedge discovery, analysis and trading is further enhanced by its integration with SDX, SuperDerivatives multi asset front office platform, and SD's award winning OTC implied market data.

"At Teva we looked for various risk management systems for corporations and have never seen any system as good as CorporeX that provides the clarity and capability required to understand, report, test and advise on exposure risk, hedge planning, hedge accounting and credit risk in all asset classes. CorporeX is truly a game-changer in corporate financial risk management," adds Cohanoff.

He believes that the recent volatility in the market, lack of liquidity, and the uncertainty around forthcoming regulations has meant that corporates are reviewing the use of derivatives in their treasury operations. He says: "Until now, much of the use of derivatives has been fairly basic but today they are getting more sophisticated and more fully hedged by using FX derivatives, not only for balance sheet exposures but also for hedging cash flow exposure. However higher volatility in the market is increasing the cost of hedging and corporates are looking for other derivatives instruments to reduce these costs."

Providing prices that reflect the interdealer market has led the company's web-based, market-calibrated solutions to be widely accepted as the benchmark for derivatives pricing.

Cohanoff adds that hedging cash flow is a fairly

"Higher volatility in the market is increasing the cost of hedging and corporates are looking for other derivatives instruments to reduce these costs."

Oren Cohanoff

"The spreads are much wider than they used to be and corporates need tools to negotiate better with their banks, to lower costs and see the full picture of the corporation."

Oren Cohanoff

recent trend that has been growing since 2008, and companies are still learning the applicable accounting methods they have to follow for hedging. He says that there is a growing interest in cost effective hedging solutions and guidance in following accounting regulations, as well as collecting the right information from their ERP systems. "The spreads are much wider than they used to be and corporates need tools to negotiate better with their banks, to lower costs and see the full picture of the corporation."

Launched last year, a new version of CorporeX became available earlier this year. The risk management system provides a comparative risk analysis solution, combining the exposure and hedging of currencies, interest rates, commodity and energy instruments, and all cash and derivatives products, in real-time, at an unprecedented level. Cohanoff says: "From front office, in a pricing solution, to back office exposure management system, this system enables the corporate to create a full picture by integrating the ERP system and take out all the necessary information to show a consolidated exposure from which the CFO can hedge globally, across all subsidiaries, not only for each underlying asset, but also highlighting what kind of derivative is being used." A management monitoring tool is also included in CorporeX, which provides a summary of all hedged, and unhedged, P&L activity.

Fully integrated with SDX, SuperDerivatives multi asset real time front office platform, CorporeX provides pre-trade decision support, pricing, execution, booking, compliance and accurate mark-to-market, bringing the corporate sector the best risk management system for exposure and hedging in all products. In addition to displaying the real-time mark-to-market of all trades, CorporeX connects directly to SuperDerivatives' independent valuation service eValueX to offer a third party independent mark to market of all the corporate trades, the required margin, and compliance with all accounting principles such as hedging effectiveness tests for hedge accounting treatment.

Another risk management feature is that CorporeX compares the hedging activity to the exposure in each asset class, and each period provides the hedge ratio per period (monthly, quarterly, semi annually, annually), and allows for proxy hedging with correlation. A rich 'what if scenario' displays the status of the exposure and the hedging in various scenarios, as well as also producing risk exposure reports in both value at risk (VAR) and Cash flow at risk (CFVaR).

The system provides derivatives-based choices of hedging strategies, taking into consideration the corporation's exposure, hedging policy and the hedging budget limitations in order to suggest the best hedging strategy. After selecting the preferred hedging strategy, the cost of the hedge can be calculated with accuracy that compares to traders of top tier banks and that truly reflects interbank broker market prices.

SuperDerivatives offers deal execution tools via its multi asset front office system and a request a quote (RFQ) tool enables the hedge strategy to be executed directly from the front office platform into the risk management component seamlessly.

With high volatility reflecting high hedging costs, Cohanoff says the corporates that in the past used plain vanilla instruments, are now using more sophisticated instruments and are looking for better solutions to reduce the cost of hedging, such as cylinders and knock-ins, because the options they are selling right now are costing more.

Going forward, Cohanoff believes there will be an inevitable requirement for corporate treasuries to move to real-time under the pressure to improve transparency and management reporting abilities. "There are not many systems that are able to supply that kind of information needed in real-time and in this environment of uncertainty and high volatility corporate treasurers need more sophisticated reporting tools to make better decisions." Furthermore, he believes that most of the large corporates will be operating in real-time within two years.

There will be an inevitable requirement for corporate treasuries to move to real-time under the pressure to improve transparency and management reporting abilities.

At the core of all the company's solutions is SD's extensively sourced and intelligently amalgamated market data, comprising true live market rates that are battle-tested in real-time in the marketplace by active traders and run through a proven pricing model. Trading professionals on both the buy and sell side benefit daily from SD's unique combination of unbiased, aggregated market data and sophisticated modelling techniques.

CorporeX is delivered as Software as a Service (SaaS) and is accessible through the internet. Cohanoff says that this keeps costs down and enables the company to deploy the solution quickly and support it remotely and deliver upgrades. For more savvy users, CorporeX can be accessed via iPad. SuperDerivatives was at the forefront of SaaS technology delivery and cloud computing and has been delivering solutions this way in over 60 countries for over 10 years.

Further information...

www.superderivatives.com