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Pricing and trading system of the year
Murex

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For years, a slew of regulation dominated the trading behaviour of clients in Asia-Pacific (Apac): initial margin, the Fundamental Review of the Trading Book and Libor reform. Things have moved on now, and trading activity in the region is being driven more by local considerations. This plays to Murex's strengths: a technology vendor that offers in-depth market knowledge and extensive support across the entire trading lifecycle.

"More and more, smaller players within Apac are raising their ambitions and increasing their trading scopes. MX.3 allows them to start new activities and trade new products," says Matthieu Avanthey, Murex's head of product management for Apac. "Partnering with Murex, they benefit from our accumulated experience and market practices from the leading banks for quick implementation and consistent success."

Scaling up

Murex's pricing and trading platform is exceptionally versatile and can easily be adapted to changing client needs. The solution is also highly scalable, meaning clients can start using the platform with fairly small volumes and then scale their business with minimal cost.

"MX.3 has enabled better efficiency through automation in our daily operations, at the same time being dynamic to our ever-changing needs," says Hazimah Adanan, head of treasury and global markets at BIBD, the main Islamic financial institution and largest bank in Brunei.

The versatility of the MX.3 platform was clearly demonstrated during the significant movement in the yen earlier this year. As it fell against the US dollar – and then recovered – many banks witnessed a significant increase in cross-currency trading with the dollar.

One foreign exchange desk saw a tripling in volumes of USD/JPY targeted accrual redemption notes, priced using Murex's local stochastic volatility model. Thanks to MX.3's pioneering architecture, the computation grid and LiveBook real-time position engines could be scaled up to absorb this surge with little difficulty, and front-to-back-to-risk automation made the process relatively painless for the bank.

MX.3's scalability also makes it easy for clients to trial new trading desks without worrying about the volumes being there from day one.

A recent example of this is a new carbon trading desk a bank in Apac wanted to establish. This being a new initiative, the bank was keen to start off small, with a view to increasing trading activity going forward. The scalability of Murex's platform met this requirement perfectly.

"Any bank that wants to start trading something new can do so with us, to



Matthieu Avanthey, Murex

test things out and see how they go," says Alexandre Bon, Murex's head of market development for Apac. "Once higher volumes start coming through, the competitive edge resides in the ability to manage the positions' lifecycle at scale. Payments, confirmations, hedging, risk management, accounting, regulatory reporting, XVA ... seamless front-to-back automation squashes time-to-market and brings down operational costs and risks."

MX.3 supports clients "across the entire spectrum, regardless of client sophistication or the business they're in". This has been of tremendous value to clients as trading activity has picked up this year, Bon adds.

Local market evolution

Over the past 12 months, trading activity in Apac has been heavily influenced by local market considerations:

dramatic swings in the Japanese yen, enthusiasm for carbon trading in Australia, the shift away from autocall products in Korea and new over-the-counter (OTC) rules in India.

"The challenge is how to work on all of these complex topics at the same time," says Avanthey. "The fact we have managed to deliver on all fronts is thanks to the operating model we have built in Apac over the past 20 years, which incorporates a large pool of experts that serve the local markets."

India is an interesting case. In January 2022, the Reserve Bank of India introduced new rules governing the behaviour of market-makers within OTC derivatives. Since then, several banks have sought to extend their FX derivatives trading scope to more exotic products.

"Such banks have benefited from Murex know-how and solutions for a quick ramp-up, from the barrier management screens and delta gap views natively integrated into our real-time portfolio management solution to in-depth discussions with our experts about the negative gamma profiles of some barrier options," says Avanthey.

In South Korea, market turbulence has resulted in the virtual disappearance of the autocallable retail business, which was a major revenue source for security houses in the country.

"MX.3's comprehensive product coverage allowed securities houses to pivot their businesses and recentre around capital-protected interest rate-indexed products in a matter of weeks," says Avanthey.

Such examples reinforce the narrative of Murex being a regional technology vendor serving regional needs.

"You need to manage these local nuances. You can't just take the global setup and transplant it to a local Apac market," says Avanthey. "We have the local expertise, we have the capacity in the platform and our platform is able to adapt to local requirements in a way others might not be able to." ■