



GAME CHANGING RULES FOR DERIVATIVE TRADING

Earlier this month, the National Treasury, Reserve Bank and Financial Services Board published proposed regulations for unlisted OTC Derivatives. These will fundamentally change both the operational and economic structure of the market place.

IMPACTS OF NEW REGULATIONS

Strategic:

Potential shift in mix of business due to higher costs (a move away from more complex structures towards standardized trades).

Margin and collateral:

Enhanced Collateral Management will be key to efficient use of a more limited pool of eligible assets to support core business.

Booking and Settlement:

Significant impact on booking systems and processes which must be reworked to meet standardised terms and exchange requirements.

Risk Management:

Processes must be auditable and capable of clearly and quickly demonstrating compliance with clearing requirements.

Data and Reporting:

New reporting requirements to trade repositories will place further strain on data and processes.

ARE YOU STRATEGICALLY AND OPERATIONALLY READY?

Banks need to seriously consider the impact of these proposals on their business models and operating structures, including the following:

- Pricing
- Product and booking strategies
- Data quality
- Capability of existing reporting
- Risk Governance
- Margin and collateral requirements

For insight into the key challenges and critical areas of focus, please contact:

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