

Deutsche launches clearing service

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By Michael Mackenzie in New York

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Deutsche Bank announced a new clearing service on Wednesday designed to bolster its position in the derivatives market ahead of a regulatory overhaul that will change the way swaps are traded.

The bank, which has a record of dominating electronic markets such as foreign exchange trading, is seeking to be at the forefront of the push by regulators for the majority of over-the-counter derivatives towards centralised clearing houses.

Under the Dodd Frank Act, standardised OTC derivatives must be cleared and other regulations such as those under the Basel III rules is also pushing more derivatives contracts towards clearing.

Deutsche is launching Markets Clearing for clients to facilitate the execution, financing and clearing of trades across interest rates, foreign exchange, commodities, credit and equities, the bank said.

“Significant portions of OTC derivatives will end up in centralised clearing under Dodd Frank and Basel III and we want to attract clients to use us as their central clearer,” said Jon Hitchon, who has been appointed to run Markets Clearing.

He said the new group will allow clearing across multiple asset classes and facilitate listed execution and prime clearing services across all asset classes to large institutional clients and global hedge funds.

Mr Hitchon believes big sophisticated clients will be attracted by the credit standing of Deutsche and its ability to offer prices across many markets and provide risk management services.

“A lot of our competitors are trying to build this business, however we have a comparatively stronger franchise in the new client world of execution, finance and clearing due to our global reach and well known derivatives expertise.”

Many of the detailed rules for swaps trading and clearing still have to be written. There is widespread expectation that regulations will miss the July deadline set in Dodd-Frank regulations to write all new rules.

The uncertainty means that only 40 per cent of 46 financial institutions interviewed by Tabb Group are “actively preparing” for financial reform in the interest rate derivatives markets, a survey by the research company has found.

Tabb defined “actively preparing” as investors or dealers who were modifying legal, technical, data or process frameworks. Most of the remaining institutions surveyed were waiting for more finality in the rules, Tabb said.

Additional reporting by Aline van Duyn in New York