

Best Post-Trade Services Provider: CLS-TriOptima

Winner
FX-Week
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Awards
2016

As regulatory initiatives hit, cost has become one of the biggest drivers of business decisions and market structure development trends. In response to the shifts, CLS partnered TriOptima to launch the triReduce CLS Forward FX Compression Service in October 2015, bringing post-trade compression to FX derivatives.

The multilateral service helps to reduce operational risks, costs and counterparty credit risk while boosting capital efficiency. Less than a year old, CLS-TriOptima's work has led to the firm receiving the Best Post-Trade Services Provider award.

"TriOptima has a huge amount of experience in compression, as we have been in the business since 2003. Our strong infrastructure and robust legal framework are key to the success of the service," says Peter Weibel, chief executive of TriOptima's multilateral compression service, triReduce.

"One of the things about moving into a new asset class like FX is the compression process is reasonably mature in rates and CDS, but banks do not have one synthesised platform and process for dealing with different asset classes. So I think, for TriOptima, when the service first started, a



Alan Marquard

level of education about how compression works was needed for the FX divisions of the banks in particular," says Alan Marquard, chief strategy and development officer and general counsel at CLS Group.

The work has paid off. Today, the service has cut more than \$112 billion in notional exposure for major deal-

ers. Trading volumes for FX forwards increased by 43% between 2010 and 2013, ahead of FX swaps and spot FX trading, says CLS and TriOptima.

The number of participating banks in the monthly cycles has gone up, from six to 14. Eight more firms are testing, and the venture expects to have more than 30 regular participants in the coming months as more interested parties are waiting in the pipeline.

"The FX compression service is in its initial growth phase... As with any new service, there is a growth curve and we are firmly on it," Marquard adds.

The goal is to expand the service beyond CLS members. There is work being done on a solution with clients that will include prime brokerage trades, which CLS and TriOptima believe will increase the overall compression opportunities.

"Market participants are required to regularly assess if their trade portfolios can be compressed; i.e. if their portfolios are balanced between bought and sold trades, so offsetting positions can be identified and finally compressed. In that sense, our service helps the industry to comply with this regulatory requirement," says TriOptima's Weibel. **■ Laura Matthews**