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The Potential & Unintended Risks of a New OTC Marketplace

A DerivSource Podcast

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Podcast Summary

The OTC derivatives marketplace is undergoing a radical transformation with the introduction of new regulatory rules and central counterparty clearing for some instruments. To participate in this new derivatives landscape, financial institutions must change existing post-trade processing and risk management practices, but these practical changes required may introduce additional risks for firms and the financial market at large.

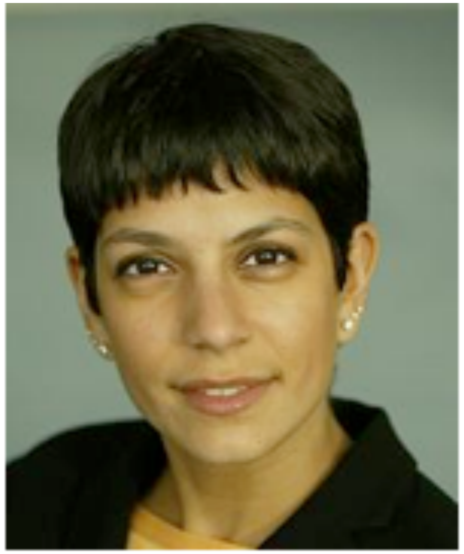
In a DerivSource podcast, a panel will discuss the potential and unintended risks firms face with these new market developments including new concerns for systemic risk, increased capital requirements, the cost and additional risk inherent in new collateral management practices, documentation used and counterparty risk management.

Anu Munshi

Anu Munshi is a Partner at **B&B Structured Finance Limited**, a consortium of former market professionals that provides financial product training, strategic consulting and financial expert witness services.

Anu has 14 years experience in financial markets. At B&B, Anu has undertaken various consulting projects, provided an expert opinion in several litigation cases, and conducted numerous training assignments globally.

Prior to joining B&B in 2005, Anu worked for 8 years in structured credit at JPMorgan in the US, Asia and Europe. Her roles at JPMorgan included structuring and marketing structured credit products, educating investors on credit derivatives, ABS and CDOs, and developing products such as CDS options.



Andrew Huszar

Andrew Huszar is a Managing Director and U.S. Head of OTC Derivatives Client Clearing for **Morgan Stanley**.

Previously, Andrew managed the $1.25 Trillion Agency MBS Purchase Program for the Federal Reserve Bank of New York ("FRBNY"). In this role, Andrew managed the program's portfolio design and trading strategy, as well as the creation of a permanent, in-house Federal Reserve MBS business platform, encompassing front, middle and back office components.

By way of additional professional background, Andrew was a senior vice president at RBS Greenwich Capital and co-head of the Transaction Advisory Group, specializing in the Basel II Capital Rules. Prior to RBS, he was an examining officer in the FRBNY's Bank Supervision Group, leading a Market and Liquidity analytics team assessing financial risk exposures of large U.S. financial institutions. Mr. Huszar began his career at the FRBNY as a lawyer supporting various business lines.

The panel will discuss potential and/or unintended risks inherent in the following areas:

- Big picture unintended risks
- Counterparty credit risk
- Operational risk
- Margin & Collateral Management Related Risks
- Legal/Documentation

Big Picture Unintended Risks

- Concentration risk
- The impact on liquidity
- Execution risk

Counterparty Credit Risk

- Execution risk
- Fragmentation of risk
- Transition for market participants to face CCPs directly

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Operational Risk

- Backloading
- Novations
- Interoperability
- Systems and onboarding

Margin & Collateral Management Related Risks

- Maximizing capital efficiency
- Margin aggregation
- Margin management
- Greater overall need for funds
- Collateral segregation
- Funding risk from collateral transformation

Legal & Documentation

- Multi currency CSAs versus single currency CSAs
- Volume of paperwork to be reviewed and negotiated

Thank You to the Speakers

- Anu Munshi, Partner at **B&B Structured Finance Limited**

- Andrew Huszar, Managing Director and U.S. Head of OTC Derivatives Client Clearing for **Morgan Stanley**.

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