

Derivatives Valuation Services Provider of the Year

JP Morgan

Like the majority of JP Morgan's target markets in the securities services space, the derivatives market saw a flurry of change in 2011 as a result of the continued efforts of global regulators, particularly in the US and Europe. Perhaps the largest change ever seen in the derivatives market has been the requirement for the majority of over-the-counter trades to be cleared through a central counterparty (CCP). Market participants have been preparing for the move and are expected to have implemented the changes by early 2013.

JP Morgan continues to invest in instrument supportability, increasing the number of instruments from 22 in the previous year to 66 across commodities, credit, equity, fixed income, foreign exchange, inflation, interest rates and property. In 2011, the market saw a move away from discounting collateralised OTC derivatives trade cashflows based on the London Interbank Offered Rate and towards using the overnight index swap (OIS) rate. As a result, JP Morgan's global derivatives business offered OIS discounting to its clients from October 2011, and was one of the first to introduce this service at the individual fund and counterparty level to meet the credit support annex parameters between clients and counterparties. In December, the bank's largest client transferred 28% of its positions onto OIS discounting, while others have followed suit.

After seeing significant demand for fixed-income total return swap (TRS) instruments in 2011, JP Morgan developed a scalable methodology that can be used to value TRS on corporate bonds, government bonds, emerging currency bonds and asset swaps.

One of JP Morgan's largest clients, a global asset manager, migrated onto its award-winning DerivClear™ platform, a centralised OTC derivatives processing platform launched in 2010 that supports JP Morgan's Global Derivatives Services. DerivClear™ provides trade capture and life-cycle management capabilities in addition to control, affirmation and confirmation management, settlement management and reporting across the portfolio of supported instruments. It also has a host of risk-mitigating processes including a valuation procedure that can eliminate disparities across instruments and the possibility of creating a hedge effect from valuations.

As the derivatives market moves towards the full implementation of the OTC derivatives CCP model, JP Morgan and its clients have plenty of difficult and important work ahead. "JP Morgan Global Derivatives Services is pleased to have received this award for the third consecutive year. Clients choose JP Morgan for robust, scalable and streamlined processes across our full end-to-end OTC derivatives administration model that enables clients to enhance their operating model and drive down operating costs and associated risks," said Melanie Sande, Executive Director, Global Head of JP Morgan Global Derivatives Services.



From left: Michael Katz, Americas Clearance Product Director; Mark Trivedi, Americas Custody Executive; Bob Bosse, Americas Market Strategist; and James Hutter, Global Head of Private Equity and Real Estate Services, JP Morgan

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