

## **Deutsche Bank Unites Derivatives Trades as Swaps Oversight Looms**

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By Matthew Leising

June 8 (Bloomberg) -- Deutsche Bank AG is consolidating trading and processing services for listed and over-the-counter derivatives before U.S. and European regulations take effect. The Dodd-Frank Act financial overhaul required swaps that are to be processed by clearinghouses to be routed through the part of a bank that handles futures transactions, forcing the dealers who dominate the market to reorganize. Futures contracts by law must be traded on an exchange and cleared.

Congress mandated the clearinghouse requirement after over-the-counter derivatives contributed to and complicated efforts to resolve the financial crisis. The European Union last month moved closer to adopting a clearing mandate for most interest-rate, credit-default and other swaps.

The new Deutsche Bank unit will be called Markets Clearing and will offer customers access to interest rate, foreign exchange, credit, commodities and equities contracts, said Jon Hitchon, who will head the Frankfurt-based bank's service. Deutsche Bank previously offered separate execution and post-trade services by asset class, such as in interest rates, he said.

"Effectively, you're starting to knit together a series of platforms to present to a client," he said in a telephone interview. "It's very much going to be geared to institutional clients and hedge funds" that are active in futures, options, swaps and cash markets, said Hitchon, who was previously co-head of global prime finance at Germany's largest bank.

### **Goldman's Service**

Goldman Sachs Group Inc. created its Derivatives Clearing Service last July to combine futures and swaps operations in one unit. The bank is one of five in the U.S. that dominate the derivatives business, according to data compiled by the Office of the Comptroller of the Currency.

U.S. regulators at the Commodity Futures Trading Commission and Securities and Exchange Commission are now writing rules to comply with Dodd-Frank that will lessen risk and increase price transparency. Final versions should be published by the end of the year, CFTC Chairman Gary Gensler said last week. For swaps trades that a clearinghouse must process, Markets Clearing is connected to LCH.Clearnet Ltd., Intercontinental Exchange Inc., CME Group Inc. and International Derivatives Clearing Group LLC, Hitchon said.

Clearinghouses, which are capitalized by their members, are meant to reduce systemic risk by absorbing and sharing responsibility if a member defaults on its payment obligations. They use daily margin calls to keep accounts current and provide regulators with access to prices and positions.