

# Changing the world

**Preparing for the worst**

**Data-driven approach to assisted default hedging**

# Risk handling

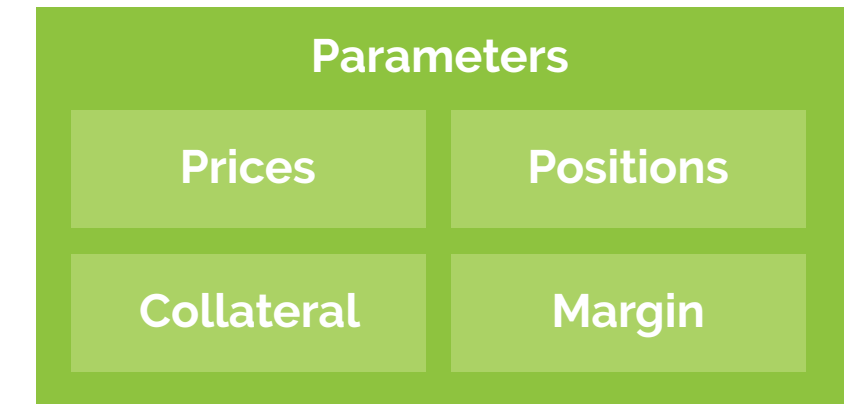
- CCP risk default handling can be improved
- Enabling a tighter coupling with the exchange
- allowing for utilizing larger data sets such as order depth.
- Technology can aggregate data real-time and help potential default processes and assist risk managers in the event of a default event
- Monte Carlo simulation is the preferred margin model



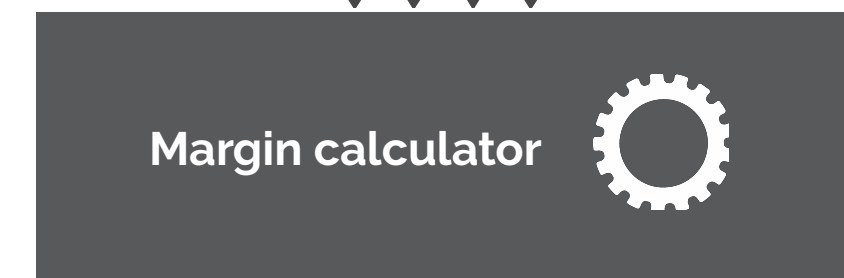
# Risk engine essentials

- Real time margining
- VaR – Monte Carlo **simulations**
- Black Box component
- Total market view with positions and collateral together
- Risk factors used to support scalable correlation model
- Stand-alone component or integrated
- Detailed margin report

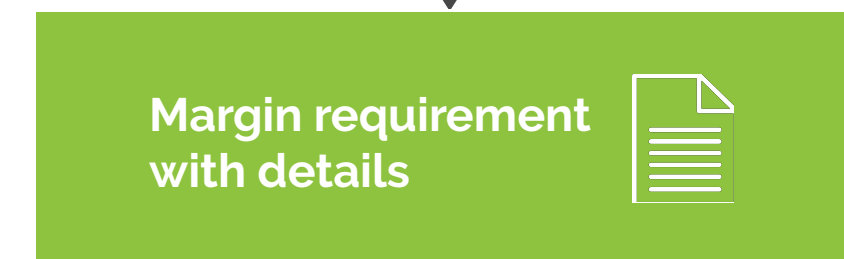
Question:



Calculation:



Answer:





# In case of a Default

- You need good advice
- Pro-active assisted hedging can help balance the risk and compress the defaulted portfolio to minimize the damage
- Trading suggestions
- Timing is very important
- Close positions at least possible cost
- Support to organize an auction process if required
- Adapt to size of market



- Use technology to avoid the biggest headache for all CCPs
- Complementary solution to existing system environment
- A cloud based solution enables instant access to more capacity required for the simulations
  - Thus no need for expanding current data center
- Manual or automatic process depends on type and size of market

# Data driven approach to assisted hedging

- Pro-active hedging suggestions are based on scenario simulation
- The use of larger datasets may improve hedging suggestions
- Technology enables handling of large data sets to simulate portfolio hedges in real-time
- Gives the CCP a situation overview and possible ways to reduce the risk
- Avoid default situations: run what-if scenarios continuously and simulate various portfolio changes

# About us



- Baymarkets provides a CCP Solution, Clara-built by a clearing house for clearing houses
- “Real-time clearing made easy”
- Experts in Clearing and Clearing House solutions
- FinTech pioneers
- Board and employees with unparalleled experience in clearing
- Board members in Hong Kong, Norway, Sweden and Switzerland