

Icap moves to answer transparency concerns

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Icap, the world's largest derivatives broker, has made its biggest step into the derivatives pricing market to meet the increasing demand for transparency, with the launch of a service that takes it into competition with vendors such as [Markit](#) and [Thomson Reuters](#).

Icap yesterday launched an online derivatives valuation service that it claims "addresses the growing need for increased transparency and independent valuations allowing better liquidity, counterparty and operational risk management" on behalf of fund managers, banks and corporate treasuries.



The service, called Fair Value Insight, is a joint venture between Icap and derivatives specialist Fincad, drawing on "Fincad's industry standard analytics and Icap's unrivalled market data", according to the broker.

Lawrence Leuzzi, the managing director of information services at Icap, said: "Active risk management through ongoing measurement and up-to-date knowledge of derivatives cash flows for liquidity and capital management is now a business necessity."

Transparency in derivatives, particularly over-the-counter instruments such as credit default swaps, has become a priority for regulators and industry participants since the collapse of US financial giants [Lehman Brothers](#) and [AIG](#) late last year.

[Barack Obama](#) has called for reform of the US OTC markets and his Treasury secretary [Tim Geithner](#) two months ago outlined radical changes including the implementation of central counterparties, and regulated exchanges and trading platforms.

The [European Commission](#) followed this lead at the start of this month when it published its long-awaited report aimed at shaking up the over-the-counter derivatives market. The report advocated that clearing "grow substantially to cover large parts of OTC derivatives", but stopped short of calling for trades to be forced onto exchanges.

Cubillas Ding, a senior analyst at research house [Celent](#), said: "The ability to monitor and manage cross-risk effects in a more proactive and cohesive manner can determine a firm's ability to not only sidestep undue vulnerabilities, but also to facilitate effective decision-making in relation to ongoing market movements and regulatory overheads for risk-taking."

Data vendors including [Markit](#) and [Thomson Reuters](#) have in the past year been looking to profit from the growing demand for independent derivatives pricing services among their customers.

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