

ON THE RIGHT PATH

Career advice and the growth of electronic trading in interest rate swaps

“A promotion opportunity has come up, but I’m not the only person in the team who is after it. How can I put myself ahead?”



Today’s job market is as competitive as it has ever been and this competition is not restricted solely to external appointments. Getting ahead of the field when pursuing an internal promotion that a peer, colleague or even friend is also going for can seem difficult.

It is worth remembering that when you apply for a position either internally or externally, the rules are essentially the same. You need to:

- ◆ Demonstrate an ability to carry out the requirements of the role;
- ◆ Display a level of commercial acumen appropriate to your position; and
- ◆ Be able to cultivate a productive working relationship with your team and your manager.

If you break down these points, you can begin to pick out areas where you can differentiate yourself from the competition and pull away from the rest of the field.

Think about what the business plans to achieve over the next 18-24 months. Is there a refinancing project coming up? A treasury management system implementation? Or maybe a bond issuance? Where have you gained experience that directly aligns to where the business wants to be? Also, if you have a recognised treasury qualification, that will only enhance the credibility of your application.

What are your biggest competitors doing at the moment? Are you able to tell your boss where tomorrow’s challenges are coming from? Get familiar with what the competition is doing, look at the financials and know what projects it is involved in. Bringing this level of detail to the interview sends a powerful message.

What existing relationships do you have within the business that will enhance your application? Have you worked on projects in the past where your contribution can be endorsed? And if your business has a set of corporate

values, consider examples of where your work has tied in closely with them. These can be deciding factors in who gets offered the promotion.



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THE REAL REFERENCE PRICE

THANKS TO THE GROWTH OF ELECTRONIC TRADING IN INTEREST RATE SWAPS, TREASURERS HAVE GREATER VISIBILITY OF MARKET DATA, SAYS DANIEL MARCUS

Interest rate swaps (IRSS) have traditionally been traded – either directly or via voice brokers – over the telephone. So suitable reference pages used by treasurers when pricing a debt issuance have always been based on indicative prices provided by brokers. These indicative prices represent the mid between a suggested – rather than firm – bid and offer.

For treasurers, the quality of the reference-pricing page they use

that an issuer has to pay a large premium in order to hedge its risk profile.

BUT THE MARKET IS NOW EVOLVING

With the growth of electronic trading in IRSS, a more reliable and accurate data reference methodology can be used. Since late 2010, banks have started to trade IRSS between themselves on hybrid platforms, allowing voice and electronic interaction.

The quality of the reference-pricing page against any issuances is critical

against any issuances they carry out is critical to ensure that their bond is issued at the right market level and investors receive their bonds at the correct market yield. When a company issues debt, it often looks to hedge all or part of its interest rate risk on debt issuance by swapping out that risk, leaving the issuer only exposed to the issuer’s own credit.

The flaws of using indicative reference pages is that they fail to validate whether a trade can actually be done at that price as the pricing is not firm and the depth of available liquidity is far from clear. It may be the case that there is no willing buyer at the price indicated on the pages. Furthermore, the spread that the issuer has to cross between the bid and the offer may mean

This combines the tried and trusted methods of voice with firm electronic pricing. As a result, the market knows not only the accurate pricing level and spread between the bid and offer, but also the depth of liquidity on either side of the mid. The broker can then provide this pricing to treasurers on its reference screens so they know what the real price in the market is.



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