




RISK TECHNOLOGIES

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US Government's proposed derivatives market reform confirms need for a global market review of risk management frameworks



Razor Risk Technologies (RRT) (ASX: RZR), has today referred to last week's announcement by the US Government that will see strict new regulatory requirements introduced on trading practices that present major risks to the financial systems and says this is a critical step in better managing risk in the global derivatives market and signifies the urgent need for a global market review of risk management frameworks.

The US Government has asked Congress to move quickly on proposals that would allow federal oversight of exotic instruments, including credit-default swaps, that almost led to the bankruptcy of several financial organizations. The US Government's proposed measures will see swaps and other types of derivatives traded on exchanges or clearing houses and backed by capital reserves.

Andrew Wood, CEO, RRT, says: "The proposed legislation will close an obvious gap in the current derivatives trading system and presents an opportunity for exchanges and clearing houses to significantly increase trading volumes and revenues. The OTC derivatives trading market is worth multi-trillions of dollars and to capitalise on the benefits of the proposed legislative changes, standardised products within a robust risk management framework will need to be offered to institutional investors, investment banks and securities firms.

"From a regional market context, Australia is well placed, however there are markets that need to review their risk management practices immediately. The exchanges that are leading the way are those taking proactive steps to ensure their technology platforms can keep up with the new requirements brought on by the recent financial crisis. Risk officers and regulators require much more than simple risk dashboards. They require robust and proven technology together with an effective risk management framework."

Earlier this month (11 May 2009), RRT announced the implementation of its risk management solution for the US-based International Derivatives Clearing Group (IDCG) – a clearinghouse for OTC interest rate swap futures contracts and other income derivatives contracts. The Razor technology was approved for use by IDCG after a rigorous approval process by the Commodities Futures Trading Commission (CFTC).

On 31 March 2009, RRT also announced that it signed an agreement with the provider of central counter party services to the Indonesian Stock Exchange – PT Kliring Penjaminan Efek Indonesia (KPEI) – to provide its core risk and exposure management solution.

RRT is the leading risk management platform among CCP12 members, the industry association of the world's principal clearing organisations.

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About Razor Risk Technologies Limited

Razor Risk Technologies was created in response to the complex issues surrounding risk management. The company's Razor product has helped transform the way Banks, Hedge Funds, Brokers, Central Clearing Counterparties and Stock Exchanges in many countries, measure their risk and manage their capital.

Razor Risk Technologies is a public company listed on the Australian Stock Exchange. We have offices in London, New York, Sydney and Melbourne offering a highly skilled team of specialists who provide Razor based services across the financial markets and risk management business areas. We have successfully completed installations in many different countries. Our proven implementation and support methodology supports an efficient, low-cost, low-risk implementation allowing a firm to maximize optimal risk and reward.

