

CURRENCY DERIVATIVES HOUSE OF THE YEAR

Deutsche Bank

Deutsche Bank has long been one of the strongest participants in the currency derivatives market in Asia. With its formidable combination of structuring expertise, local presence and know-how and strong relationships with regulators, the dealer has often left rivals trailing. This year has proved no different, with the German bank winning *Asia Risk's* currency derivatives house award for its ability to tackle the challenges the Asian FX markets have thrown up in the past year.

Significant advances in technology, impressive corporate liability management and cost-reduction solutions, and strong retail market expansion have strongly featured for the dealer this past year. These factors, combined with outstandingly consistent pricing capabilities, even in the recent turbulence, have put the bank in pole position in currency derivatives.

With regard to price quoting – a major bugbear for many clients in August due to the turbulence following the subprime fallout – Deutsche Bank says it has consistently provided prices in the forex markets. “Our machines have been on 24/7,” says Clifford Cheah, Singapore-based head of global finance and foreign exchange for Asia excluding Japan. “A lot of our competition [in currency price quoting] fell away in August.”

The dealer's clients back this up. “The recent market has given dealers the opportunity to test the robustness of their services and relationships with clients,” says one Asia-based hedge fund executive. “A few dealers effectively stopped quoting dollar/yen options for a few days from August 17. Deutsche Bank was not one of them.”

As for more exotic products, Cheah says Deutsche Bank was the first to structure a target profit forward (TPF) denominated in Philippine pesos for a Manila-based corporate earlier this year.

The dealer was an early leader in offering TPFs in Asia in 2004 and it has continued to develop new versions of these products. TPFs have proved particularly popular in the past year, as they allow hedgers to overcome negative carry and low volatility in Asian currencies compared with the dollar, which have both been particularly prevalent in the past 18 months.

Deutsche Bank has almost quadrupled its TPF and other FX derivatives volumes, says Cheah, selling close to \$1 billion in the past year, not only in centres such as Hong Kong and Singapore, but throughout Asia.

In the retail arena, which Deutsche Bank has been strongly targeting since early 2006, the dealer was the first global dealer to launch a retail forex trading plat-

form, in the form of dbFX in May 2006. The platform has recorded consistent quarter-on-quarter growth of more than 100% for the past year, says Cheah. “We were the first to offer foreign exchange trading on a retail platform globally, and our rivals are at least six months behind us,” he says. “We're marketing dbFX in Hong Kong and Singapore and looking at other markets.”

Deutsche Bank has also scored notable success in the retail space in the past year with its Harvest carry index. The DB Balanced Currency Harvest Euro Index has significantly outperformed many of its rivals between January 1 and July 23 this year (15.61%), including Barclays Capital's ICI Euro Carry Index (10.18%) and JP Morgan's carry indexes (6.90%), according to Bloomberg.

The dealer has wrapped Harvest as a delta-one, capital-guaranteed structure in Korea, Singapore and Taiwan among other countries. “Carry has been clearly the most popular component in indexes in the past year, and our index has compared very favourably with others,” says Peter Clarke, Singapore-based head of FX sales for Asia.

Forex as an asset class

Another example of Deutsche Bank's development of forex as an asset class is its success selling products based on its FX Select fund platform. The bank launched this in 2005, offering a choice of more than 70 currency managers and the chance to use it as an underlying for virtually any type of product. Deutsche Bank also launched Start up Select in late 2006, which gives access to smaller hedge fund managers. “We have seen more than \$1 billion traded through FX Select,” says Clarke, “including sizeable transactions for funds based in Singapore.”

One such asset manager is very satisfied with the service provided. “One strength [of Deutsche Bank] is that the infrastructure is there – in terms of the pricing, the platform and information they provide,” says an investment manager at the company. “They also stand out in terms of commercial-mindedness – they are sensitive to business potential and try to allocate the appropriate attention to it.”

The bank has been equally strong on restructuring. For one Asian airline, it restructured \$200 million of forex hedges into forwards linked to index products earlier this year, providing a worst-case scenario while giving full participation to the index upside. The airline's treasurer was effusive in his praise: “[On currency derivatives,] Deutsche Bank works fast and has brilliant ideas.” Endorsements don't come much stronger. ●

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