

# Pre-Trade Analytics: The next step to managing your risk.

As the compliance date of Phase 6 of UMR is rapidly approaching, it's more critical than ever that firms of all sizes have a centralized system that allows them to manage their risk and cost base quickly and effectively. As part of that evolving risk management process, Acadia understood the marketplace need for a pre-trade analytics tool that would inform the decision-making process for any new trades firms were considering and the impact on initial margin exposure.

To learn more about how our new pre-trade analytics service fits into Acadia's broader suite of risk management solutions and helps firms better operationalize their available capital, we sat down with Mark Demo, our Head of Business Development.



**Q: Mark, Acadia has announced that its launching a pre-trade analytics tool. Why is this important and why should firms pay attention to this new service?**

**Mark Demo:** We conceived the pre-trade analytics (PTA) service when ISDA and other trade associations began advocating for regulators to grant firms in scope for phase 4, 5 and 6 of the Uncleared Margin Rules (UMR) relief to delay their operational readiness until it was clear they would exceed the 50MM maximum Reg IM threshold set by law per counterparty relationship<sup>1</sup>. As this was happening, Acadia recognized the importance of a central system that would provide in-scope firms a centralized location to review the IM exposure that their dealers would calculate against them. With this simple idea, Acadia's threshold monitoring service was born. Initial Margin (IM) Phase 5 firms took full advantage of the service, as Acadia worked with hundreds of firms who wanted to centrally keep track of their IM exposure vs their reg IM threshold to determine if or when they would need to begin preparations for moving initial margin.

However, Acadia also understood early on that while an exposure monitoring solution was an important first step, it was only part of a suite of services that firms who were under IM threshold and desired to stay there would eventually need. There was an opportunity to address this marketplace need by developing a complimentary service to estimate the marginal impact on IM exposure for any new trades that a firm was contemplating.

Our pre-trade analytics tool fills this gap by meeting a vital business need. With the final phase of UMR approaching, firms need to manage both their risk and cost base efficiently to remain competitive. Tools like PTA will fast become an essential part of the risk management and trading decision process.

<sup>1</sup>The rules around how the reg IM threshold can be allocated between entities can be complex. For the purpose of this article the author has assumed a simplified approach.

.....**What distinguishes Acadia’s pre-trade service from that of similar services in the market?**.....

**MD:** For existing Acadia IM Risk Generator clients (Acadia’s sensitivities calculation service) – the PTA marginal IM exposure amount estimated for any potential new trades would be consistently calculated using the same pricing models and market data used for current trades.

The ease of adoption means that for current Acadia clients taking advantage of the service it’s as simple as signing a new work order.

Firms that don’t currently use Acadia to calculate IM exposure can still benefit from our pre-trade analytics tool as a standalone service that offers easy onboarding. Moreover, even IM Threshold Monitor (IMTM) clients who are unable to calculate the Common Risk Interchange Format (CRIF) themselves can also still use PTA as Acadia provides the ability to estimate marginal IM using the dealer provided CRIF<sup>2</sup>.

We believe that our service benefits from reasonable pricing and have ensured that the service is accessible to any size firm, with a low base price for firms with less than 1,000 trades. We provide this pricing in a transparent manner, without charging market data fees, user fees or any other cost add-ons.

**Q: How does PTA work together with Acadia’s broader suite of risk services?**

**MD:** One of the key benefits of the service is its integration with other Acadia services that many of our clients are already leveraging. PTA shows marginal IM exposure of the new trade(s) your firm is contemplating vs all Reg IM CSA agreements already established on Acadia Agreement Manager as well as indicates whether the new exposure will push the agreement exposure over a Reg IM threshold or threshold trigger set in the IMTM service.

**Q: What’s next on the Acadia’s risk roadmap after PTA?**

**MD:** Acadia is currently designing the next solution in its Risk Suite which will suggest opportunities to reduce IM exposure by novating an existing trade from one dealer to another or adding a new trade(s) that your firm may not yet be contemplating. We expect this new service will be available in late Q4 2022.

To stay abreast of the latest news, regulatory insights, education content and product updates – sign up for Acadia’s bi-monthly [Market Insights newsletter](#).

<sup>2</sup>Dealers have the ability to decline this request

**For more information please visit us at [acadia.inc](https://www.acadia.inc)**

**Or email us at [info@acadia.inc](mailto:info@acadia.inc)**

**Boston**  
93 Longwater Circle  
Norwell, MA 02061

**Dublin**  
54 Fitzwilliam Square,  
Dublin, D02 X308

**Düsseldorf**  
Maurenbrecherstrasse  
16, 47803 Krefeld,  
Germany

**London**  
Broadgate Quarter  
One Snowden Street  
London EC2A 2DQ

**New York**  
575 Fifth Avenue  
FL17, New York  
NY 10017

**Tokyo**  
Level 11 Aoyama Palacio  
Tower 3-6-7 Kita-Aoyama  
Minato-Ku, Tokyo 107-0061

Follow us:

