

# Structured Retail Products

## **US Numerix still unwinding Lehman derivatives**

30 Sep 2009 – Lori Pizzani

More than a year after Lehman Brothers Holdings filed for Chapter 11 bankruptcy protection, a team from valuer Numerix has valued half the bank's one million terminated derivatives transactions. "It's the biggest derivatives book in the world," Numerix president Steven O'Hanlon told SRP.

On any given day, the New York-headquartered firm's team includes 15 to 20 financial engineers, with an equal number working behind the scenes to migrate trades onto Numerix's system from the 20 different systems Lehman used.

The firm was hired in January to assist the bankruptcy process by valuing terminated Lehman trades. Seven hundred thousand of these are plain vanilla trades across asset classes including equities, fixed income, credit, interest rates and commodities, and the balance are more exotic trades across similar asset classes. In addition, there are another 2,500 live trades, for which Numerix is providing services including hedging, and profit and loss data.

Numerix would not comment on the number of structured products included in the transactions, but, as previously reported by SRP, Lehman had 6,739 outstanding notes globally when it collapsed, with a then total notional value of \$34bn. The majority of those notes contained embedded derivatives and were issued across 22 different currencies.

The Lehman assignment has etched Numerix onto the derivatives and structured products landscape, enabling the firm to expand at a time when many structured products firms have slashed staff. There are now 175 employees at the firm, with expectations of about 20 by year end. Employees typically fall into two camps - the financial engineers and the IT/software experts.

In March, Numerix began its Numerix University financial engineering certification programme, which teaches American financial engineers, free of charge, to properly price and manage complex derivatives. Numerix hired Amilda Dema as the University's director of training. She was previously a structured products trainer for Morgan Stanley.

Of the 160 people who applied for the Numerix University programme, 64 were accepted and 30 completed the full series of courses to earn the

Numerix certification. The programme was so successful that a parallel was launched in London in July, with 20 applicants and five individuals becoming accredited. "It's our way of giving back," O'Hanlon said.

The firm recently rejigged its corporate logo and branded tagline, tightened up product names and assembled a six-person marketing team. The firm has 400 customers across 26 countries and is positioning for future growth. O'Hanlon said he expects much of this to come from insurance companies, who have plunged in recent years into derivatives and structured products. Numerix has 12 insurance company clients, with others in the wings.