

By continuing to use this site you consent to the use of cookies on your device as described in our [cookie policy](#) unless you have disabled them. You can change your [cookie settings](#) at any time but parts of our site will not function correctly without them.

[Sign In](#)[Subscribe](#)

## OTC markets

# FX swaps start-up LMRKTS in first fundraising

Fintech company is used by some of Wall Street's biggest banks to tackle risk



*AI, blockchain and other fintech advances will mean that banks can use computers to replace staff and tech companies can move into banking © FT montage*

4 HOURS AGO by: **Hannah Murphy**

A US financial technology start-up used by some of Wall Street's biggest banks to remove risk in their currency derivatives portfolios is running a first fundraising to take its business to the rest of the swaps market.

New York-based LMRKTS has in a little over three months removed more than a trillion dollars' notional worth of redundant foreign exchange trades for banks like JPMorgan, Goldman Sachs, JPMorgan, [Deutsche Bank \(http://markets.ft.com/data/equities/tearshee](http://markets.ft.com/data/equities/tearshee)

[t/summary?s=de:DBK](#)) and [UBS \(http://markets.ft.com/data/equities/tearsheet/summary?s=ch:UBSN\)](#).

Formed by a group of former Wall Street traders and risk managers, LMRKTS attracted Larry Summers, the former US Treasury secretary, to its advisory board last October.

It has now secured an anchor investment of \$7m from Motive Partners, a fintech venture capital firm run by former financial technology industry executives, as well as personal investments by two former Morgan Stanley executives, Michael Heaney and Steven Daffron.

Mr Daffron, the former head of Interactive Data Corp, is also the managing partner at Motive. LMRKTS may raise as much as \$14m.

The investment underlines how banks' desire to cut the mounting cost of running their swaps portfolios has turned into a [booming business \(http://next.ft.com/content/6436465a-afcd-11e6-a37c-f4a01f1b0fa1\)](#).

LMRKTS offers "compression" services — whereby it analyses and tears up derivatives deals that are made redundant because two positions are hedged perfectly.

While trade compression has existed for more than a decade, its use has been buoyed by changes in capital requirements in the wake of the financial crisis.

The introduction of the leverage ratio, which measures bank capital against all of their assets, has made it [costly \(http://next.ft.com/content/3a9d5a22-2d87-11e6-a18d-a96ab29e3c95\)](#) for big banks to hold on to derivatives.

Unlike its rivals, LMRKTS has focused on the currency markets — among the highest costs to banks — where it says it is already one of the largest players.

"The nice thing about FX is that there wasn't a dominant market service," said Lucio Biase, LMRKTS chief executive and co-founder. "Market reception was a lot stronger there and we even had banks referring us to their competitors."

Mr Biase is a former trader at Lehman Brothers, Credit Suisse and hedge fund Marathon Asset Management.

In three cycles, it said it had torn up \$1tn with just five currencies and six parties participating. By contrast, market leader TriOptima saved \$1.2bn per participant in gross notional in a recent cycle, with nine cycles and 10 participants.

Banks reconcile their counterparty exposures through LMRKTS' analytics platform and LMRKTS' algorithms finds trades they may want to add or delete.

“We try to make the process happen in the same way that people trade — we try to bring a total roughly the same amount of counterparty risk [in a derivatives portfolio] as market risk,” Mr Biase said.

Nevertheless LMRKTS' latest figures are dwarfed by those of rivals such as Nex Group-owned TriOptima, the processing utility with the biggest share of the compression market.

It eliminated \$94tn of gross notional outstanding in swaps in the first half of 2016. Others, including interdealer broker BGC Partners and CME Group, are also [pushing \(http://next.ft.com/content/fc1ad06a-b38b-11e5-b147-e5e5bba42e51\)](http://next.ft.com/content/fc1ad06a-b38b-11e5-b147-e5e5bba42e51) into the market.

LMRKTS plans to apply its technology to others areas of derivatives trading, such as the amount of initial margin banks must supply to back their swaps deals. It is already talking to 16 banks about the service, Mr Biase said.

LMRKTS calls itself an analytic tool and uses Tradition, the Swiss interdealer broker, as the venue for its trades. It has also held regular discussions with the Commodity Futures Trading Commission, the main US regulator.

“LMRKTS is a market-changing proposition, has a talented leadership team and an ambition to shape the future of the financial technology world,” said Mr Daffron.

---

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others. © The Financial Times Ltd.