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# Are you ahead of the curve?

## Commodity Risk Management and Trading

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What are the key challenges facing your business today?

- Are your earnings impacted by volatility in commodity prices?
- Are your commodity risk management systems, controls and reporting fit for purpose?
- How are you managing the rapidly changing technology landscape – infrastructure, applications and data?

*How will your strategy, business model and use of technology evolve to ensure you continue to stay ahead of the curve?*

### **Economic factors driving change**

We are continuing to see volatility and general increases in prices in energy and other commodity markets, off the back of macro-economic and geopolitical factors.

Whilst volatility may be welcome news for traders, for others in industrial and consumer sectors, price volatility and price increases are a cause for concern.

### **Business and regulatory environment**

The regulatory landscape for companies dealing in commodities is continuing to evolve. We are seeing increased complexity, and uncertainty place growing demands on businesses to keep up.

### **Technological breakthroughs**

There continues to be a lot of discussion in the media about the impact of emerging technologies such as cloud, artificial intelligence (AI), robotics, blockchain and advanced analytics and their impact on business. Have you considered what all of this means for your people and your business?

With the emergence of these new technologies and increasing volume of data collected and reported, businesses are under elevated pressure in order to operate in this demanding environment.

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## How we can help you solve your problems



### Trading and risk strategy

- Risk appetite and trading and risk management strategy
- Target operating model
- Risk quantification and valuation
- Operational strategies for trading and risk management, market and counterparty credit risk, contract risk, organisation structure design and working capital management
- Business and risk insight through data analytics/modelling

### Trading technology

- Technology strategy and solution design
- Developing a business case and solution roadmap
- Requirements articulation and system selection
- Digital transformation and cloud adoption
- Programme and change management delivery
- Testing and quality assurance
- C/ETRM project team augmentation
- Process improvement

### Trading analytics, surveillance and reporting

- Design, build and review trade surveillance operating models
- Develop advanced descriptive, predictive and prescriptive analytics to help you analyse trading performance and risk (credit, market, cash flow liquidity etc) to help you stay ahead of emerging issues in your business

### Governance, risk, controls and internal audit

- Review governance, risk and controls frameworks compared to good practice – including as part of pre and post- Go Live of new trading businesses and trading systems
- Internal audit services
- Quality assurance over change programmes/controls remediation
- Fraud risk assessment and response

### Financial audit and financial reporting

- Financial audits (ISA/US GAAS)
- Accounting and financial reporting interpretation and advice
- Non-audit assurance (e.g. M2M, trading earnings quality assurance)

### Market regulation

- Strategic and operational response to regulatory change (EMIR, REMIT, MAR, MIFID II, CRD4
- Other European and international market regulations) covering operating model considerations
- Internal/external reporting
- Legal requirements
- Technology and data needs

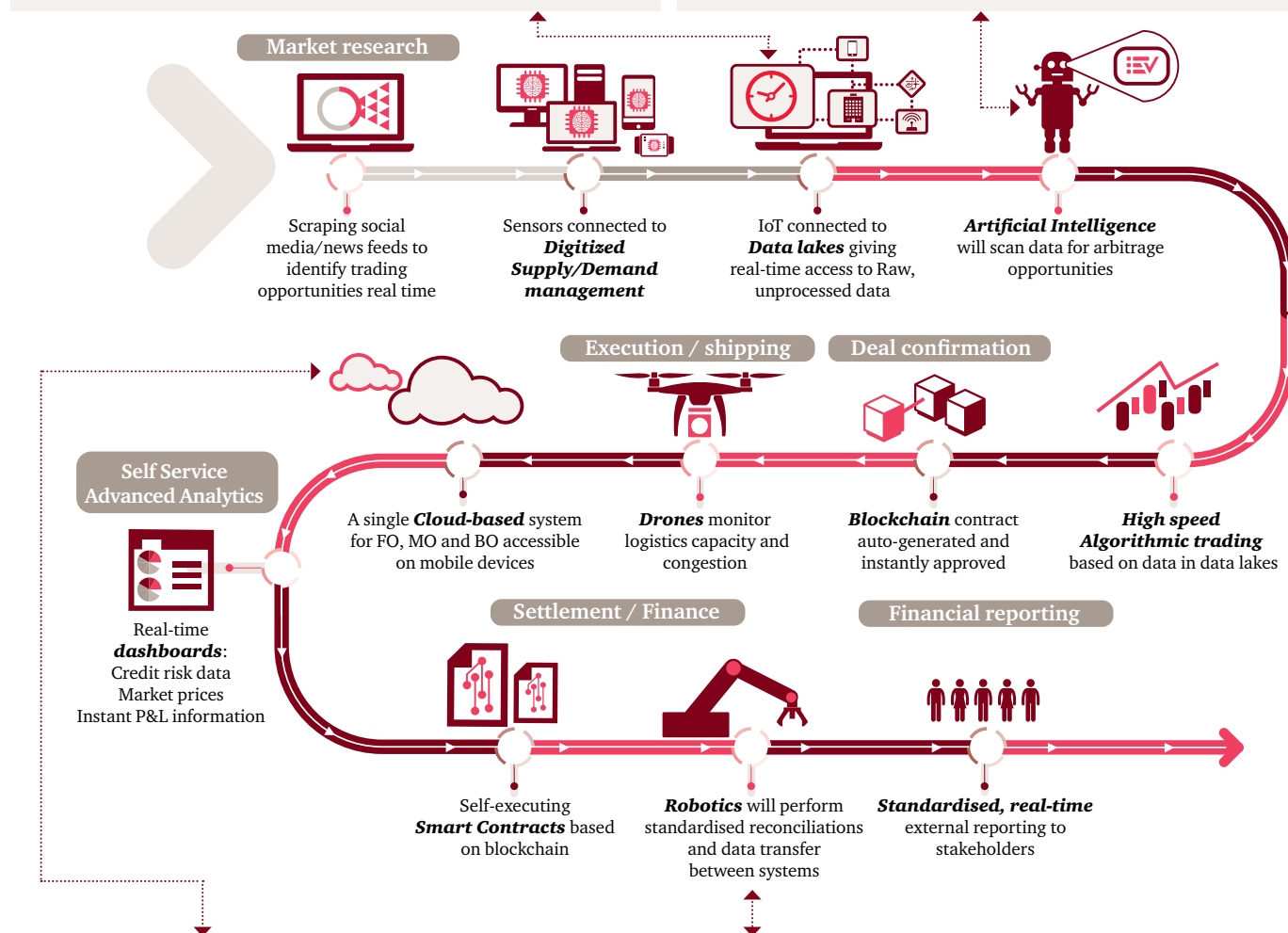
# What's next? The data-led technological revolution creates opportunities across the deal lifecycle

Rapid evolution of technology enables commodity trading and risk management organisations to collect, analyse and monetise insight from their data

Unstructured and structured data are collated in cloud-based database architecture allowing for ease of data 'mining' when needed.

This allows a larger data set to be analysed at a faster pace with flexibility in data modelling when compared to traditional structured data warehouse architecture.

Many commodity traders are currently reviewing their front middle and back office processes to identify areas where Machine Learning and AI can be applied. For example, we have already seen a number of compelling business cases developed around the adoption of Natural Language Processing (NLP), particularly when dealing with high volumes of e-mails.



Cloud based ecosystems enable flexible growth when more computing power is needed – control cost by paying for what you need, when you need it. Allowing you to run a leaner IT footprint.

Typically RPA has been deployed to address areas of high volume, low value-added tasks, which can be standardised and performed by software (or 'software robotics'). We have also seen commodity traders adopt RPA to reduce risk and improve security (e.g transfer of reference and payment data between systems).

## Intelligent Digital

At PwC, we are harnessing the power of Intelligent Digital, helping our clients rethink their futures and reshape their own world.

We are using business understanding, technology innovation and human insight to help solve important problems, meet human needs and make a difference to society.

In a rapidly changing world, it can be challenging to maintain a strong corporate culture in line with the company's strategy. Using technology and a human centric approach, PwC can help you assess, implement and monitor improvements to your corporate culture.

To make sure your values become the reassuring constant for your clients and employees and an essential pillar of your sustainable growth.

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## Our expertise

### Our team – differentiating capabilities

#### Deep commodity market experience

We have global experience working with leading commodity risk management and trading companies – giving us insight into the critical success factors of market leaders.

#### Leading trading technology practice

We can help you navigate the complex and rapidly evolving trading technology landscape and assist you to select and implement the best solution(s) for your current requirements and future growth potential.

#### Global network

Through working with our global network we serve our clients across the world (US, UK, Europe and Asia) to bring global expertise whilst providing local partnership.

#### Successful project experience

Expertise to help your business ideas from strategy development and operating model design through to successful implementation of process and technology.

Our UK Commodity Management team comprises strategy, risk, governance and controls, trading technology and regulatory specialists. What makes us different is that we draw on both our experience of providing consulting and assurance services to our clients, as well as the experience of former traders, risk professionals, operations leads, technology implementers/vendors within our team to help our clients resolve issues and stay ahead of the competition.

We work with commodity trading companies and commodity risk management teams, across a variety of industries from energy, mining and agricultural commodities to financial, industrial and commercial clients. We draw on this depth and breadth of experience to help our clients grow, enhance business processes and successfully implement new technologies. This experience also helps us to advise our clients on good practice as well as avoid pitfalls which can derail projects and undermine business plans.

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## To find out more please speak to:

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