For Standard Bank, operating in the commodities business is not about the next profitable transaction, it's about solutions to problems that its clients face daily. Janelle Matharoo, global head of energy sales & trading, talks to Energy Risk

JANELLE MATHAROO

Janelle Matharoo, global head of energy sales & trading at Standard Bank, cut his teeth in commodities almost 24 years ago as a graduate at Bankers Trust. He quickly became the principal energy derivatives trader and moved through the ranks to take leadership of the group in just 11 years.

For Matharoo, the decision in 2006 to move to Standard Bank was an easy one. He was engaged in discussions with several banks about his return to the market after a sabbatical following two years at Credit Suisse First Boston. "As I progressed my conversations with Standard Bank, I realised the untapped power of the position that the bank occupied in this market," he recalls. "It has a natural reason to be in this space. It's not trying to fill a revenue gap identified by a consultant's review or to keep up with its peers. We're here because that's where our core expertise and clients are," he says.

Standard Bank's niche is in emerging markets, especially Africa where its resource-based clients have placed it firmly in commodities for the long term. "We can't afford not to be in the commodities business," says Matharoo. In fact, a considerable proportion of Standard Bank's global markets revenue is generated from commodities, making it a greater priority at Standard Bank than at many rival investment banks. This has significant advantages, says Matharoo.

"When I first arrived it was striking that I was able to discuss a business plan directly with the global CEO. This is very different from previous experiences. Buy-in from senior management enables

us to incubate a business that will grow steadily over a number of years. There's a great deal of common sense in this approach."

The bank lists its three major areas of expertise as commodities, Africa and frontier credits. "We're strong in Africa, where few other banks are, and in commodities, and that is a powerful combination," he says. He puts the bank's success in these areas down to its in-depth knowledge of its clients, which is at the heart of all its relationships. "We believe that understanding our clients' businesses inside out, their approach to management of their business, their culture and the principals they value, is the only way to provide a quality service while simultaneously creating the best risk mitigation for us." The combination of client knowledge and senior management buy-in on business decisions allows the bank to take decisions and move extremely quickly in the right circumstances.

Matharoo cites the example last year of a $100 million financing for a client in the metals market that took Standard Bank just 10 days from origination to closing. "That happened because we could provide comfort to the key stakeholders in the decision-making process very rapidly by virtue of the client knowledge and, where necessary, go to the CEO directly." Similar speed was brought to bear in a complex $250 million refinery transaction, again enabled by the familiarity with the client and the commodities markets.

When Matharoo arrived at Standard Bank in 2006, plans included an expansion from the derivatives operations into the physical aspects of the oil business by 2009. In June 2009, only six

months later, the bank traded its first cargo – 40kt of gasoil in storage in the Amsterdam, Rotterdam, Antwerp area – putting it ahead of some of its rivals who had been planning for such activity for much longer. This was the first of many cargoes for the bank in both the wet and dry freight markets over the next two years.

"I think what Standard Bank does differently is not waste management time discussing why we should do the business; instead we concentrate on how to do the business," says Matharoo. "Our understanding of risk extends way beyond market risk. Logistical and operational risks are key areas of concern, and our knowledge and understanding stems from the deep relationships with clients and the bank's commodities history."

Matharoo explains that it is not about the quantity but the quality of the business the bank is willing to do. "The risks surrounding ownership of a physical cargo of oil at sea, for example, is something many banks would be cautious about. Given our history in physical metals, our knowledge of the clients involved in the resource sector and the processes we've developed over time, it's more likely that we meet industry best practices with the logistical and operational risk involved in moving commodities around."

Matharoo was brought in to add energy risk management and trading to the bank's existing operations in the metals sector. The addition of products in the energy sector has opened the door to new clients as Standard Bank is now able to help clients access new markets and products. "For example, a trader in a small West African nation who was

enjoying success locally was unable to expand outside the region. Our products have helped this client to find a solution to his hedging and financial needs as well as supplying a springboard into growth markets."

Since Matharoo joined in 2006, the energy business has grown to many multiples of its original. The bank's client knowledge is enhanced by getting involved in every point of the value chain. "We are involved with the upstream producers, the traders, the shippers, end-users, refiners, financial institutions, airlines, etc. Involvement in one part of the value chain generates efficiency in other parts of the value chain, optimising the risk and reward ratio," Matharoo says.

He states that the bank is not led by trading primarily for the sake of it or the pursuit of one-off transactions, but rather by its pursuit of building a franchise. "Our products are as simple and transparent as they can be. We develop solutions and help to transfer risk so that the counterparty can focus on their business activities – this simple approach is remarkably effective" ∎