

Mitsubishi UFJ Securities International

Best Newcomer of the Year

EnergyRisk
Awards 2010

Although it has traded oil for 20 years, it was only in the second half of 2007 that Mitsubishi UFJ Securities International (MUSI) began to build out its commodities desk. The task was assigned to Tetsuro Kono, head of commodity derivatives.

"I joined MUSI in May 2007 and at that time we did almost nothing in commodities," says Kono. "So we saw significant business potential in commodities and that's the primary reason for expanding the business here in Europe," he says.

The speed and assurance with which the desk has managed to do this, securing large deals quickly and earning glowing testimonials for services offered, is the reason MUSI has won the award for *Best Newcomer* in the 2010 *Energy Risk* awards.

In the past two and a half years, some of the major deals executed by MUSI's commodities team include a long-dated Brent crude oil hedging programme for a major North Sea oil producer, a fuel hedging programme for a top-tier European airline and a jet-fuel option hedging programme for a Middle Eastern airline.

The Brent crude oil hedging programme had a lengthy tenor, and Andrew Steeves, vice-president in the commodity derivatives group, believes that it was a major vote of confidence in the team.

"For us, it was quite a significant transaction. The structure itself was relatively straightforward – a collar-type structure, but the size was quite large and it required the traders to manage that volume effectively," says Steeves.

Initially there were four houses involved in the deal but when one

dropped out, its allocated volume was redistributed around the remaining three firms, giving each of them far more volume. "We managed to give the client



"The message that we've received from several customers is that we're quite consistent in terms of speed and pricing. We get the feedback that our pricing is consistently good," says Steeves. "I don't think there's any magic formula there. It's just the culture on the desk is very customer-oriented."

One other major factor that

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the confidence to give us much bigger volume," says Steeves.

Similarly, the Middle Eastern airline deal was something of a milestone for the bank.

"This particular example was a landmark for us because it was the first Middle Eastern airline to start working with us and, right off the bat, they trusted us with quite a large deal," says Steeves. "It's an indication of how much confidence the client had in our capabilities to award us such a large mandate."

Over the last two years the team has expanded rapidly. From an initial starting point of three team members, there are now more than 20, with plans to add more. As they continue to grow, the team believes its appeal to customers is its consistent performance.

Kono and Steeves cite for the desk's burgeoning success is the support they receive not only from MUSI's senior management, but the parent company, Mitsubishi UFJ Securities Holdings.

"We have an American CEO, Cliff De Souza. What was different from previous senior management was that he put a lot of commitment into the commodity business," says Kono.

Steeves points out the role Mitsubishi UFJ Financial Group (MUFG) played for the desk during the credit crisis.

"We have the strong backing of one of the largest financial institutions in the world – MUFG. During the credit crisis, that was really key for us and one of the reasons why we've grown so much and I think it's still important," Steeves says. ■

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