

What roles Commodity Trading and Risk Management play in your organisation?

What are your concerns?

What are your priorities?

We understand that every commodity trading business has its own unique challenges. PwC has a team of global experts dealing with commodity trading, hedging and risk management issues in the oil and gas, soft commodities, power, carbon and metals trading industries. We can help you address your concerns and deliver on your priorities.

Our Commodity Trading and Risk Management expertise

If you would like to discuss any aspects of commodity trading please contact our specialists below.

Travis Randolph
Commodity Trading
Assurance Specialist
Direct phone: +41 58 792 96 98
Mobile phone: +41 78 658 49 14
travis.randolph@ch.pwc.com

Michiel Mannaerts
Commodity Trading
Treasury Specialist
Direct phone: +41 58 792 92 10
Mobile phone: +41 79 638 51 64
michiel.mannaerts@ch.pwc.com

Sebastian di Paola
Commodity Trading
Advisory Specialist
Direct phone: +41 58 792 96 03
Mobile phone: +41 79 596 72 11
sebastian.di.paola@ch.pwc.com

Cedric Bignens
Commodity Trading
Taxation Specialist
Direct phone: +41 58 792 98 62
Mobile phone: +41 79 894 77 41
cedric.bignens@ch.pwc.com

www.pwc.ch

This presentation is protected under the copyright laws of Switzerland. It contains information of PwC that is proprietary and confidential, and shall not be disclosed to any third party outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this presentation. Any other use or disclosure in whole or in part of this information without the prior written consent of PwC is prohibited.

© 2012 PwC. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers AG which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Commodity Trading & Risk Management: Concerns and priorities



pwc

Commodity Trading & Risk Management



Introduction

Whatever the role commodity trading or hedging plays in your organisation, understanding the complex trading landscape and responding to the associated risks can be challenging.

The recent volatility in financial and commodity markets and the global recession has brought an increasing focus on participants' risk and control frameworks both from internal and external stakeholders. It became apparent that in too many instances risk appetite was not sufficiently aligned with risk identification and controls. Furthermore, all too often risk types tended to be looked at in isolation and their interaction not fully assessed.

With volatile prices causing sharp movements in the fair values of derivative contracts, many organisations sought to address the resulting credit risk exposures through increased collateralisation of positions. However, increased collateralisation has led many businesses to tie up significant working capital in margin payments to counterparties. Such margin calls led to severe implications for the wider business and for ongoing market liquidity.

Furthermore, the economic downturn brought increased corporate and personal opportunities and pressures to commit fraud.

In the emerging post-crisis climate, commodity traders and those organisations looking to hedge input costs relating to commodities need to take a disciplined approach and actively manage the associated risks. The regulatory landscape for companies dealing in commodities is also evolving quickly for example with more rigorous supervision by external oversight bodies and anticipated legislation requiring margining of OTC contracts.

As a commodity trading or brokerage business, you will be aware of the opportunities and the challenges offered by the recent changes in the trading landscape, and the importance of managing your risks. Through working with commodity traders and brokers across industry sectors, PwC has unparalleled insight into the challenges you face.

Whatever your role in commodity trading or hedging, we can help you address your concerns and deliver on your priorities.

Supporting your priorities

We adapt our approach to your business model and strategy, offering a range of services to help support your priorities.

Commodity trading due diligence

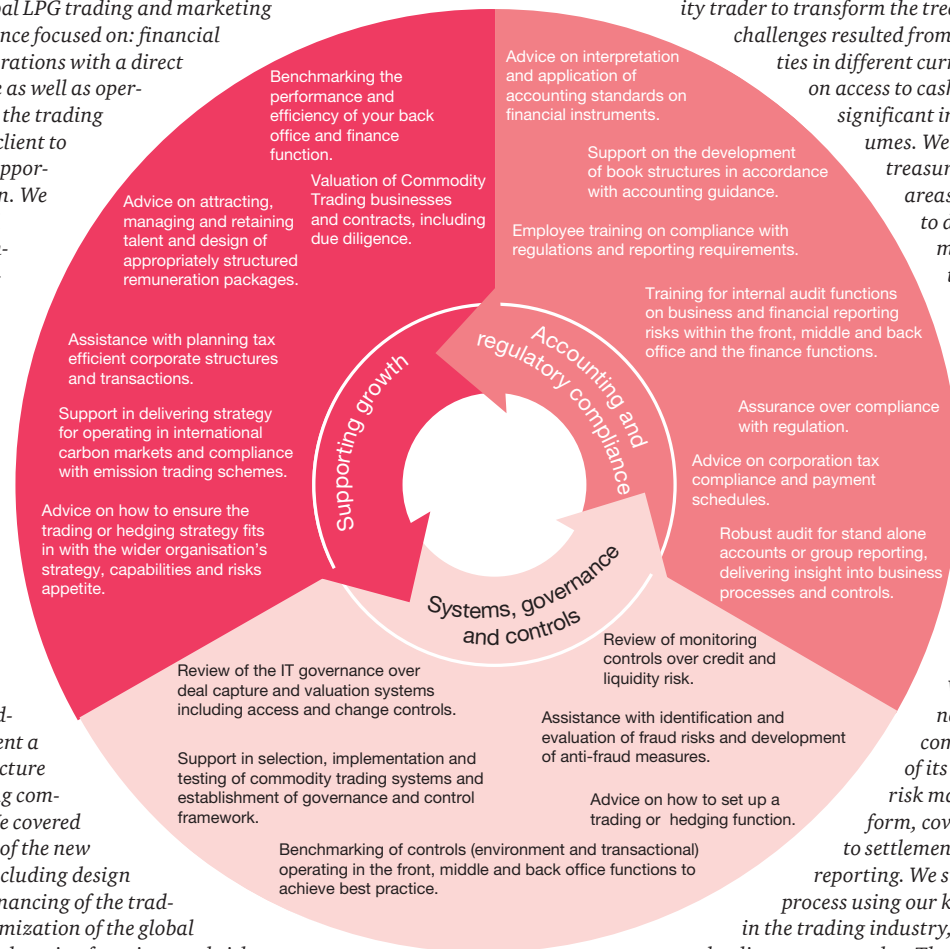
We assisted a leading multinational company contemplating the acquisition of a global LPG trading and marketing business. The due diligence focused on: financial and accounting considerations with a direct impact on the deal price as well as operating aspects specific to the trading industry, enabling our client to assess the commercial opportunity of the transaction. We applied accounting and valuation concepts to industry specific arrangements, covering energy purchase and sale contracts, fleet operations contracts, assessment of exposure to energy prices and foreign currencies, hedge accounting and accounting for CO₂.

Set-up of new tax effective trading structures

We have assisted major groups active in the trading industry to implement a new global trading structure with an ultimate trading company in Switzerland. We covered the international setup of the new trading organisation including design of the legal structure, financing of the trading operations and optimization of the global tax burden by optimally locating functions and risks within the commodity trading group (significant tax saving opportunities through transfer pricing).

Need for Treasury Transformation

We assisted the treasury team of a global energy and commodity trader to transform the treasury function. Particular challenges resulted from expansion into commodities in different currencies, increased pressures on access to cash and funding as well as a significant increase in transaction volumes. We helped define a long term treasury vision, covering these areas and subsequently helped to develop an organisational model and define and select the right technological platform enabling the treasury team to achieve its and the companies' objectives.



Commodity Trading Technology

We assisted a leading natural resources and mining company in a strategic redesign of its commodity trading and risk management (CTRM) platform, covering deal capture through to settlement, risk management and reporting. We supported the client in this process using our knowledge of best practices in the trading industry, working hand in hand with a leading system vendor. The outcome of our input was a best-in-class practice trading function, that supported the development of the trading platform by the system vendor.