SYSTEM AND METHOD FOR REDUCING CURVE RISK

A bond matching system receives positions from dealers identifying bonds to be matched and including the PVPB of the bonds and an indication of a percentage deviation from PVBP that the dealer is willing to accept in a matching bond. A matching engine performs a matching optimisation during a run to match as many positions as possible and then calculates a series of hedge trades for each dealer to reduce the curve risk generated by matching with bonds having different maturity dates. The hedge trades are executed in a liquid external market such as a futures exchange.

Figure 4