



Mitsubishi UFJ Financial Group (MUFG) Simplifies Basel III Reporting Complexity Using FINCAD F3

Highlights

Client

MUFG Bank (Europe) N.V.

Business objectives

- Meet Basel III reporting requirements
- Introduce an accurate, efficient solution for performing CVA on counterparties

Requirements

- Reliable, accurate CVA reports
- Trusted provider offering outsourcing

FINCAD solution

- F3 CVA Service

FINCAD features

- CVA computed on near real-time basis and aligned with regulatory standards
- Option to handle CVA internally or outsource it to FINCAD

Success factors

- Simplification of CVA reporting for Basel III through outsourcing to experts
- Time savings in eliminating the need to calculate CVA manually or with spreadsheets
- Ability to keep resources focused on strategic work by leveraging FINCAD's Professional Services team

Situation

Mitsubishi UFJ Financial Group, Inc. (MUFG) is a bank holding and financial services company headquartered in Tokyo, Japan. MUFG is Japan's largest financial group and the world's second largest bank holding company. MUFG Bank (Europe) N.V. ("MBE") is MUFG's commercial banking business in continental Europe.

A need to comply with Basel III requirements prompted MBE to seek out a solution for credit valuation adjustment (CVA) reporting. CVA is an adjustment to the value of a financial contract to account for counterparty credit risk. The bank needed to calculate CVA for the various counterparties they trade with.

Initially MBE had intended to produce the reports themselves, however they soon realized they did not have the time or technical resources needed to do this internally. Therefore, the bank required a CVA provider that not only provided the right technology, but also a complete service for handling the regulatory reporting process from beginning to end.

FINCAD's Solution

MBE desired a CVA solution that required no local installation of hardware, and they preferred to work with a partner having a trusted reputation in the industry. Already a satisfied client using FINCAD's Insight solution, the natural choice was to examine FINCAD's CVA service offering. The bank found the solution met their requirements and were happy that they could outsource CVA reporting to FINCAD's Professional Services team.

FINCAD provides accurate CVA reporting via its F3 valuation and risk solution. With F3, CVA is computed on a near real-time basis and is aligned with regulatory standards. Clients have the option to either manage CVA internally, or outsource the process to FINCAD.

"We find FINCAD solutions to be easy-to-use and extremely reliable. Additionally, the support team provides knowledgeable answers and quick service which makes a big difference to us. These factors had a large impact on our decision to go ahead with FINCAD's CVA service offering," said Ronald Hart, Associate Director, Treasury Division, MUFG Bank (Europe) N.V.

About FINCAD

An established leader with more than 20 years of experience, FINCAD provides innovative and trusted financial analytics software to organizations worldwide. With deep market understanding, a client-centered business approach, and unmatched quantitative and software engineering expertise, FINCAD is uniquely positioned to lead the market in enterprise valuation and risk technology. FINCAD serves more than 1,000 organizations across the globe. To learn more about FINCAD's award-winning solutions, please visit fincad.com.

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The Results

MBE relies on FINCAD for accurate and efficient CVA calculation and reporting on a book of interest rate swaps, basis swaps, and cross currency swaps, in addition to approximately 2200 FX forward contracts. This covers a total of 55 counterparties.

On a quarterly basis the bank provides FINCAD with relevant market data, which is incorporated into the CVA model. FINCAD staff then work through the model, and generate the appropriate regulatory report. The report shows the credit risk that MBE has against each of their counterparties, helping the bank decide on pricing and capital in order to meet Basel III requirements.

"Working with FINCAD to help us with CVA reporting has been a strategic and highly beneficial decision. The process of submitting our data, and receiving back the reports we need to meet regulatory demands, has been seamless," commented Hart. "The alternative of manually calculating CVA or using Excel would not have been realistic for us. Using FINCAD for this purpose gives us significant more time for work that drives our business forward."

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