



How NWB Bank Uses FINCAD F3 as a Central Valuation System for Consistent and Transparent Valuations

Highlights

Client

Nederlandse Waterschapsbank N.V.
(NWB Bank)

Business objectives

- Reduce number of valuation software systems in use
- Improve accuracy of valuation calculations
- Produce valuations consistent with counterparties
- Obtain visibility into the details of valuation calculations

Requirements

- Partner with a valuation software provider offering coverage for NWB Bank's entire portfolio
- Ease of integration with NWB Bank's treasury system and other infrastructure
- Excel integration and user-friendly dashboard

FINCAD solution

- F3 Platform
- F3 WorkStation
- F3 Excel

FINCAD features

- Complete accuracy in valuation results
- Infinite flexibility for customizing the software to fit specific requirements
- Easy integration with existing systems

Success factors

- Ability to accurately value a portfolio of 6,000 positions using one system
- Improved collateral management
- Improved hedge accounting processes
- Greater flexibility to quickly add enhancements and new client services

Introduction

Nederlandse Waterschapsbank N.V. (NWB Bank) is a leading financial services provider for the Dutch public sector.

The bank primarily serves local and regional authorities (water authorities, municipalities and provinces), as well as institutions guaranteed by the government or local and regional authorities, such as housing associations and health care institutions.

Challenges

NWB Bank uses derivatives only for hedging purposes and has a portfolio of approximately 6,000 positions, which range from plain vanilla swaps through to complex structured instruments. The bank had been working with three different software providers for obtaining valuations on their entire portfolio. These valuations were provided on an end-of day basis.

Unfortunately using multiple systems for valuing various parts of NWB Bank's portfolio proved challenging. Because each system utilized different models for valuations, there was increased risk for inconsistency and errors. It was also difficult for NWB Bank to obtain the level of visibility they required into valuation calculations and the infrastructure. An additional challenge of using a multiple system approach was inconsistencies in valuations between NWB Bank and its counterparties.

Thus, NWB Bank management moved forward in search of a valuation solution that could help them obtain accurate valuations in line with their counterparties. They wanted to partner with just one provider, as opposed to three, to obtain all of their required valuation services. Management anticipated that this approach would improve valuation consistency and simplify servicing and processing.

The FINCAD Solution

NWB Bank evaluated a number of software providers before deciding on FINCAD. The bank ultimately selected **F3 Platform**, the advanced valuation and risk analytics solution, in combination with **F3 WorkStation**, an intuitive web application for generating and reporting portfolio valuations, risk and cash flows. **F3 Excel**, which can seamlessly connect to F3 Platform, is also part of the solution and is primarily used for ad-hoc analysis.

“Ultimately we selected FINCAD because they ticked all of our boxes in terms of requirements,” stated Mark van Doorn, Treasurer at NWB Bank. “Using FINCAD we have the ability to accurately value our entire portfolio using one system. Additionally, the flexibility of the solution, as well as the ease of use facilitated by the Excel add-in and the dashboard were of a higher caliber compared to the other competitor solutions we looked at,” van Doorn added.

The implementation of the FINCAD solution proved to be successful for NWB Bank. On this, Paul Janse, Information Analyst at NWB Bank, commented, “Throughout the implementation process, we appreciated the collaboration we had with the experienced FINCAD team. They not only provided us with modelling options for our valuations, but also gave us recommendations on which of those options might work best.”

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The Results

NWB Bank now uses one powerful engine, available in F3, for generating consistent valuations on their portfolio of nearly 6,000 positions, consisting of vanilla interest rate swaps through to more complex structured products. Specific benefits NWB Bank is enjoying are as follows:

- **Modelling Consistency:** F3 has helped NWB Bank to consolidate their use of multiple valuation systems down to just one flexible system. The results have been full valuation consistency across applications and instrument types.
- **Improved Collateral Management:** FINCAD is being used for the determination of collateral flows between NWB Bank and its counterparties. This approach is helping the bank optimally manage counterparty exposure.
- **Seamless Integration:** One requirement NWB Bank set forth was that their new valuation solution should be able to integrate seamlessly with their internal processes, systems and infrastructure. The bank was able to achieve this goal using FINCAD. “Integration with our existing systems is one of our biggest priorities. With FINCAD, we have been able to integrate market data and valuations in an automated and seamless end of day valuation process,” said Janse.
- **Accurate End of Day Valuations:** NWB Bank leverages accurate end of day valuations produced by FINCAD for a number of key purposes. These include internal reporting, managing balance sheet exposure, and regulatory reporting.
- **Improved Hedge Accounting:** NWB Bank now also uses F3 for Hedge Accounting purposes, where it is important to rely on the same modelling assumptions as are used in the end of day process. “Using F3, our Hedge Accounting process, which runs approximately 100,000 instrument valuations twice per month, has become far more stable and consistent,” commented Janse. Additionally, using F3 has helped the bank eliminate manual data aggregation that had once been necessary when different systems were in use.

About FINCAD

FINCAD is the leading provider of enterprise portfolio and risk analytics for multi-asset derivatives and fixed income. An industry standard since 1990, our advanced analytics, flexible architecture and patented technology enable better investment and risk management decisions. We are committed to helping our clients solve their toughest challenges, without compromise. Clients include leading global asset managers, hedge funds, insurance companies, pension funds, banks and auditors. To learn more about FINCAD's award-winning solutions, please visit fincad.com.

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- **Better Flexibility:** An area where FINCAD F3 excels is in giving firms numerous options for customization and the flexibility to expand into new markets, instruments and asset classes. F3 users at NWB Bank have found this level of flexibility to be very useful. "Before FINCAD, we dealt with constraints when we wanted to add new features," said van Doorn. "However, F3 allows us to more easily expand usage with regards to new instrument types, currencies or analytics. Having this ability enables us to deliver more value-added services to our clients in a shorter timeframe," he added.
- **Improved Control:** Since implementing FINCAD F3, NWB Bank has reported increased transparency and control over their valuation workflow. "Using F3 gives us greater insight into the valuation process and allows for visibility into all details of a given valuation," said Janse. Furthermore, using the combination of F3's Excel capabilities and F3 Workstation, users at NWB Bank are able to dig deeper into valuations and other analytics. These tools are often used as the first step in the troubleshooting process. This enables NWB Bank to quickly solve simple issues internally. They can then turn to FINCAD for help with for more complex matters.

Looking Forward

NWB Bank's management foresees sustained success using FINCAD F3 for valuation and reporting on their entire portfolio. The bank will continue to use F3 to more easily add enhancements and expand usage with regards to new instrument types, currencies and analytics. "All in all, we are pleased to say that every one of the goals we laid out for our FINCAD solution have currently been met. We look forward to the fact that FINCAD will give us the ongoing ability to deliver more services, more quickly to our clients," said van Doorn.

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Paul Janse, Information Analyst at NWB Bank