



Nordic Bond Pricing Uses FINCAD F3 for Calculating Accurate Daily Bond Valuations

Highlights

Client

Nordic Bond Pricing (NBP)

Business objectives

- Achieve accurate bond valuations and key ratio calculations
- Reduce operational risk
- Decrease time spent on manual processes/ software upgrades
- Simplify technology setup

Requirements

- Introduce a flexible valuation solution that reduces technical complexity
- Calculate prices and key ratios/sensitivities based on market standard pricing formulas
- Quick go to market that does not adversely impact/interrupt clients
- Ease of integration with existing systems

FINCAD solution

FINCAD F3

FINCAD features

- Unmatched speed in generating accurate pricing, valuation & risk calculations
- Transparency of workflow/ calculations
- Utmost flexibility to build models and curves that match the user's market view
- Access to expert implementation and ongoing support services

Success factors

- Delivery of accurate daily valuations of currently more than 3,000 bonds
- Reduced time spent on technical upgrades from several days to minutes
- Introduced simplicity in technology/ processes
- Reduced operational risk

The Challenge

Nordic Bond Pricing (NBP) is the leading independent provider of daily evaluated pricing and benchmark indices for the Nordic bond market. NBP has a systematic approach to collecting, analyzing and processing market information.

The company has developed models and analytical tools that, together with local market intelligence, put NBP in a position to provide clients with accurate and reliable information. NBP's clients are mostly institutional buy-side firms with high quality expectations, including asset managers, mutual funds, insurance companies and banks.

NBP set out to locate new valuation and risk technology that could help them generate fast and reliable pricing and key ratio calculations for several thousand instruments. The company also wanted to streamline its operational platform and was looking for a technical solution that could integrate with existing data solutions rather than adding unnecessary complexity. Further, NBP was focused on finding a technical solution that could offer thorough documentation, transparency and support. "One of the many challenges with advanced technical solutions is that they often lack a transparent view of how valuations are calculated", commented Stig Korsnes, Senior Analyst at NBP. "In this business, you need that transparency. Often a client will query us on how we arrived at a given valuation result. We need the ability to provide them this information to demonstrate our credibility."

Armed with a clear checklist of what they wanted from a new system, NBP set out to pinpoint a suitable valuation and risk solution. They desired a flexible system with detailed documentation, expert and timely support, simplicity of use and setup, and complete transparency into valuation calculations.

FINCAD's Solution

NBP's CEO, Vegard Annweiler had used FINCAD solutions successfully in a previous company, and thus turning to them again was a natural choice.

"I was a user of FINCAD's Excel tool in a former job, and have regularly followed FINCAD through various papers and webinars. We were quite up to date on the various solutions on the market when we decided that FINCAD was the best choice for NBP," said Vegard.

NBP ultimately selected F3, FINCAD's enterprise valuation and risk solution, which includes the best-in-class, object-oriented analytics library. FINCAD now serves as the

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 financial institutions to make better investment and risk decisions. Our goal is to provide our clients with solutions that help them achieve their goals, with no compromises. Clients include leading global asset managers, hedge funds, insurance companies, pension funds, banks and auditors. To learn more about our award-winning solutions, please visit fincad.com.

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pricing engine for the company's valuation process. It is currently used for pricing more than 3,000 corporate bonds, including fixed coupon, floating rate, amortizing, callable, varied payment structures and others. A large proportion of Nordic buy-side firms rely on NBP's data in their net asset value calculations, as well as for benchmark and attribution analysis.

NBP has successfully integrated FINCAD's comprehensive models with their market leading data and in-house models. Using F3, the company has been able to create an efficient pricing and risk workflow that yields consistent pricing and risk calculations that are consumed by all their clients.

"FINCAD F3 provides reliable and accurate independent bond prices and allows us to respond swiftly to market changes," said Vegard. "Additionally, FINCAD's flexibility helps us to model and price non-standardized cash-flows/ bonds, and will permit us to handle more complex bond structures efficiently and with minimum operational risk."

The Results

NBP's selection of FINCAD has proven to be beneficial. While a couple of challenges were encountered with the implementation itself, these were handled effectively.

"As with any new software implementation, we did hit some roadblocks. However, FINCAD'S team was eager to understand our issues and helped us to readily overcome them. Today we are very satisfied with the solution we have in place and the ongoing support we receive," commented Vegard.

"We also appreciate the fact that the implementation did not impact our clients in any way. This was very important to us when we made the decision to upgrade our technology," Vegard added.

Using FINCAD has simplified NBP's technical setup, as now there is one central location for data to be stored. Additionally, the reduction in manual interaction involved in producing valuations is resulting in lowered operational risk and time savings.

NBP's processes have also become more efficient. "Software upgrades for valuation and risk applications can often be time-consuming, taking several days to complete," said Stig. "With the FINCAD solution technical upgrades take mere minutes. It's a remarkable time savings."

FINCAD users at NBP appreciate the flexibility and modular nature of F3. "From our experience with FINCAD, new features and enhancements can be added effectively and in a timely manner. This would not have been possible for us before without some clever engineering," remarked Stig.

Looking forward, NBP plans to utilize FINCAD to create customized solutions when needed. "The financial instruments we handle are typically plain vanilla fixed income. However, there are a few instruments, such as non-standardized cash-flows/amortization bonds and linked notes that require additional attention in order to calculate the correct values. We expect that FINCAD will be able to create customized solutions and models that will help us handle such cases efficiently, and with minimum operational risk," concluded Vegard.