



KPMG South Africa Speeds Complex Valuation Using FINCAD Analytics

Highlights

Client

KPMG South Africa

Business objectives

- Accelerate derivative valuations for clients

Requirements

- Robust valuation and risk analytics solution based in Excel
- Support for performing timely valuations of complex derivatives
- Technology provider backed with a trusted reputation

FINCAD solution

- F3 Excel Edition

FINCAD features

- Fast, accurate and flexible modeling of complex instruments
- Deployment in the Excel environment
- Cost-effective

Success factors

- Sophisticated functionality for attaining fast and accurate audit valuation and validation results
- Significant modeling and computation time savings
- Reduced reliance on internal development resources

The Background

KPMG South Africa consists of a global network of professional firms providing audit, tax and advisory services. Its South Africa-based business is comprised of 12 offices, making it the largest firm of its type in the country.

The Financial Services Unit primarily serves financial institutions and corporations in its audit and advisory business. For banking clients, KPMG South Africa computes and verifies valuation adjustment metrics to derivatives prices, such as credit valuation adjustments (CVA) and debt valuation adjustments (DVA). These banking entities typically use these metrics to measure credit exposure to the volatility of market impact. Banks may require these CVA and DVA calculations as part of a one-off verification exercise, helping banks to validate financial models before they are put into use. Currently KPMG South Africa runs such calculations for clients on a trade by trade basis.

As part of the model validation process, KPMG South Africa reviews banking clients' expected positive exposure (EPE) and expected negative exposure (ENE). Looking at these factors provides visibility into the exposure profiles of derivatives trades, giving the bank a sense of whether these profiles indeed match what the bank recognizes.

For corporate clients, which mainly consist of corporate treasurers, KPMG South Africa provides independent valuations of derivatives positions. These positions must be audited each time the entity is preparing to release earnings for quarterly or annual statements. Some corporate clients simply do not have the resources available to handle such tasks, while others may require an independent valuation of the financial instruments maintained on their balance sheet.

The Challenge

KPMG's advisory business in South Africa had been performing modeling for clients using Microsoft Excel.

KPMG South Africa found that this approach was time-consuming and weighed heavy on its internal resources. For this reason, management elected to identify a solution that could provide flexible modeling in Excel and advanced analytics coverage necessary for performing timely valuations of complex instruments.

About FINCAD

An established leader with more than 25 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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FINCAD[®]

FINCAD's Solution

After evaluating a number of technology providers, KPMG South Africa chose to implement FINCAD's F3 Excel Edition. The solution helps firms accelerate modeling with powerful portfolio analytics and risk.

KPMG South Africa ultimately selected FINCAD because the provider is well-known and validated within the industry. The solution itself offered robust functionality for performing the complex valuations that clients require. FINCAD was also the more affordable option compared to other popular solutions in the marketplace with equivalent functionality.

The Results

Presently there are four individuals on the quantitative analysis team of KPMG South Africa's advisory division who are utilizing F3 Excel Edition for generating complex valuations.

The quant team is presently in the implementation phase, working to transition their modeling over to F3 Excel Edition. They hope to have shifted 80-90% of their total calculations to F3 in the coming weeks.

Once F3 has been fully integrated, management envisions that the solution will provide significant time savings both in terms of modeling and computation time.

"I foresee that the FINCAD solution is going to save us a lot of time. And we all know that time is money."

Associate Partner, Risk Advisory, KPMG South Africa

"We'll no longer have to dedicate so much of our staffing bandwidth to developing the new pricing and risk programs needed to fulfill our quantitative responsibilities to our clients. Furthermore, we're confident that F3 will continue to give us fast and accurate audit valuation and validation results."

Associate Partner, Risk Advisory, KPMG South Africa

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