

Yapi Kredi Improves Accuracy of Mark-to-Market Derivatives Valuations using FINCAD

Highlights

Client

Yapi Kredi Bank Nederland N.V.

Business objectives

- Instill accuracy in calculating mark-to-market fair value calculations
- Gain third-party validation of valuation numbers

Requirements

- Accurate valuations of derivatives instruments
- Easy-to-use, quickly implemented and affordably priced software solution

FINCAD solution

- FINCAD Fair Value Insight

FINCAD features

- Web-based valuation solution built on FINCAD's industry standard derivatives analytics
- No hardware or software installation enables a rapid time to market
- Accurate valuation calculations and built-in transparency

Success factors

- Greater confidence in valuations using FINCAD's solution as a third-party validation tool
- Full and transparent audit trail for satisfying auditors' requirements
- Access to a knowledgeable and helpful support team dedicated to helping Yapi Kredi get the most from their solution

Situation

Based in Amsterdam, Yapi Kredi Bank Nederland N.V. is a subsidiary of Yapi Kredi, the fourth largest private bank in Turkey. The Amsterdam bank branch has approximately \$2BN in assets and provides retail banking offerings such as loans and savings accounts to private clients.

In an effort to optimize asset liability management (ALM), Yapi Kredi needed a product that could help accurately determine the fair value of approximately 100 trades, consisting of cross-currency swaps, cross-currency interest rate swaps and options.

Yapi Kredi had been calculating the fair value manually, but they lacked software that could provide third-party validation of their results. Validation was important to the bank, as fair value calculations of derivatives are volatile, potentially differing greatly from month to month. Therefore the ability to confirm the accuracy of these calculations was a key requirement.

Management at Yapi Kredi sought a solution that would be reasonably priced, easy-to-use and web-based, so as not to require a lengthy implementation process.

FINCAD's Solution

As Yapi Kredi moved forward with the technology evaluation process, they found many solutions that were priced too high and/or would not integrate well with their existing systems.

Ultimately a recommendation led the bank to investigate FINCAD solutions. "We first learned of FINCAD when our external auditors introduced us. They had been using their Fair Value insight solution with success, and thought it would be a good fit for our needs too," commented Gokhan Demir, CFO of Yapi Kredi Bank Nederland N.V.

Yapi Kredi soon selected FINCAD's Fair Value Insight, an automated and affordable software-as-a-service (SaaS) solution used for valuation and risk of derivative and fixed income portfolios. "We chose Fair Value Insight because we were able to be up and running quickly, and since it is a web-based product, there is no IT support needed. Additionally, having the flexibility to enter our own parameters to run the calculations was another positive point of the product, which we plan to utilize down the road," added Demir.

As CFO, Demir oversees accounting, reporting and budgetary planning. His team is

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.

Global Support

Vancouver
New York
London
Dublin
Beijing

FinancialCAD Corporation

USA/Canada 1 800 304 0702
Vancouver 1 604 957 1200
New York 1 646 435 5920
Europe 00 800 304 07020
London 44 20 7495 3334
Dublin 353 1 400 3100
Beijing 86 10 5737 9670
Fax 1 604 957 1201
Email info@fincad.com

fincad.com

FINCAD[®]

responsible for tracking and keeping other departments such as Treasury and Sales, and the parent bank, aware of noteworthy developments impacting efficiency, performance and customer acquisition/retention.

The Results

Yapi Kredi uses FINCAD to calculate the mark-to-market fair value of cross-currency swaps, cross-currency interest rates swaps and options used in ALM. The calculations generated in the solution are then compared to manual valuations generated using data from Bloomberg and other relevant sources. This approach gives the bank a third-party validation of their valuations.

"Using FINCAD to do a parallel run to our manual fair value calculations gives us total confidence in the accuracy and reliability of the data we submit to our auditors. Additionally, if there does happen to be a disparity, it's easy for us to see how FINCAD arrived at a given result," said Demir.

Demir went on to comment that his team enjoys the autonomy they have gained since deploying FINCAD. They were once dependent on other departments such as Risk and Treasury for data involved in their calculations. Now, they have all relevant data and a powerful software tool at their fingertips for calculating mark-to-market valuations independently.

Yapi Kredi has also been pleased with the strong level of support provided by FINCAD. "When we first brought the product onboard, we needed assistance in a couple of areas, including how to use a tool for uploading large numbers of transactions. We have been very impressed with how FINCAD support helped us quickly get up to speed on this and other areas. FINCAD's staff expressed genuine interest in ensuring that our product worked optimally for us," commented Demir.

Looking forward Demir sees FINCAD helping Yapi Kredi instill greater efficiency into their valuation processes. "While currently we are doing manual valuation runs that are the same as the valuations being generated by FINCAD, in the near future we plan to get to a point where manual calculations are no longer necessary, and we can fully rely on the FINCAD solution. This will be a large time-saver over the long term," said Demir. He added, "We are also interested in expanding our relationship with FINCAD, in order to optimize our hedge accounting processes and reporting."

"Using FINCAD to do a parallel run to our manual fair value calculations gives us total confidence in the accuracy and reliability of the data we submit to our auditors. Additionally, if there does happen to be a disparity, it's easy for us to see how FINCAD arrived at a given result."

Gokhan Demir, CFO of Yapi Kredi Bank Nederland N.V.