

OTC Derivative And Fixed Income Model Validation

FINCAD

Model risk and validation teams are faced with pricing and risk models from all trading desks and business units. It can be challenging to model the full range of instrument types, from vanilla to exotic, and to cover the full range of analysis, from single trade valuation to portfolio-level risk.

FINCAD's F3 provides the financial analytics technology you need to help achieve your model validation goals.

Model Any Derivative or Fixed Income Instrument

With F3 you can define and analyze any instrument type, even the most complex, with a generic payoff language and user-defined choice points or triggers for embedded options. This approach enables the model risk team to handle a broad array of trades.

The internal trade representation structure is fundamentally integrated with the valuation and risk engine, so that as a new trade type is defined, its valuation algorithm is induced on-the-fly with no system rebuild.

Easy Substitution of Models and Methods

F3 has a clear separation of Product, Model, and Method, allowing easy substitution of any one of them.

- The Product is either the single trade or portfolio to be analyzed.
- The Model contains market data, curves, and any calibrated stochastic processes for the various underlying indices, such as log-normal, CEV, shifted log-normal, Heston, Hull White, LMM, etc.
- The Method represents the numerical method by which the valuation of the Product will be carried out, such as closed form, Monte-Carlo, backwards evolution/induction with FFT, etc.

Model risk and validation teams can rerun analyses with different Models and Methods, in order to assess the sensitivity of the results to those choices, with minimal incremental effort.

Full Transparency and Comprehensive Documentation

Both internal audit teams and external regulators require full model transparency.

F3 exposes all underlying model assumptions; regulators and auditors will be satisfied that it is not a black box approach.

Fully documented methods, models, and processes provide better support and better audit and regulatory assurance. F3's dynamic documentation framework shows object dependencies on-the-fly. F3 architecture provides the ability to interrogate the model and pull out all underlying assumptions.

This unique transparency exposes low-level modelling components, as well as intermediate results within calculation chains.

Work More Efficiently

Supporting all different trading desks and business units requires the ability to validate models efficiently and effectively. By re-using building blocks in F3, a wide variety of models, methods and instrument types can be validated without duplicating effort.

F3 provides services, example code and functionality that can help you connect F3 to your various third party systems, data providers, and internal databases at various levels in order to validate every step of the workflow and isolate problems more quickly. F3 also provides desktop tools for Excel™ and Matlab™ that can be used to configure different modelling approaches, and efficiently assess the effect of different modeling choices.

Support

With F3's fully documented software, you and your model validation team can be productive more quickly thanks to fully documented mathematical models, workbook examples, and sample code.

FINCAD Professional services and 24 hour support provide a dedicated line of support for quantitative and technical support on even the most challenging modeling issues.

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Take the next step

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 risk and valuation 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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