



RiskTech 100 2019

Numerix

Front Office Risk Management
Pricing & Valuation
xVA

Solutions: Front Office Risk Management

Numerix

Once, pricing at the end of the day was sufficient for meeting risk management expectations, but a wave of regulation has fueled a move to more robust procedures that reflect the nature of the markets. Markets never sleep and prices are subject to change at any moment, which means the winners in the front-office risk management space are the ones helping firms upgrade to systems suited to a real-time environment. New to the awards this year, the Front Office Risk Management category reflects this market trend, and the winner of the prestigious award is front-office veteran Numerix.

Founded in 1996, Numerix started as a pricing company before expanding into risk and financial technology, and has continued to focus on offerings designed to meet customer demand for consistent and comprehensive cross-asset analytics available in real time. Steve O'Hanlon, Chief Executive Officer of Numerix, says: "Numerix is truly known for its front-office capabilities. We know how to speak the language of the front office and how the front office communicates its requirements."

The Numerix Oneview Enterprise Platform provides customers with a single platform for pricing, risk, analysis and trade management, and the component-based system is designed to ensure consistency between data used for trading and risk. In the past, says James Jockle, Chief Marketing Officer at Numerix, systems were developed for specific use cases or roles and the result would often be a disconnect in the calculations. "We knew we had to ensure interoperability between personas, roles and functions," he says, highlighting that "for us, the differentiator is the interoperability" between the different modules in the platform.



James Jockle (left) and Irina Slobodyanyuk, Numerix

In addition, there has been growing appetite for real-time risk management services in recent years, and Numerix has continued to accelerate along this path. In March 2017, Numerix acquired real-time risk and portfolio experts TFG Financial Systems, which had core real-time, distributed, event-driven processing capabilities benefiting Oneview. To service the front office, Oneview delivers real-time updates to positions, profit and loss and other risk metrics.

The rapid changes in financial services and broad range of business models have also resulted in flexibility frequently appearing at the top of financial institutions' shopping lists. To meet new requirements for customizations, Numerix moved to an open architecture, and the flexibility of the platform is now a key selling point. Oneview customers can create and tailor their views of underlying analytics. "This is really something that has been exciting over these past [few] years," says Jockle. "Through our focus on providing flexibility and extensibility, we have empowered individuals to see the world the way they want to see it."

Solutions: Pricing & Valuation

Numerix

Attaching the right value to an instrument continues to be a much-discussed topic as regulators have pushed for increased transparency, and firms require more flexibility to review underlying data sources and models. *RiskTech100*® introduced the Pricing & Valuation category in 2017 and, after the vendor's topping the leaderboard for three consecutive years now, it is clear Numerix is still the one to beat in pricing and valuation.

Steve O'Hanlon, Chief Executive Officer, says pricing and valuation is where it all started for Numerix: "This is what we pioneered, and we were the first to do multi-asset class valuation."

To remain at the top, Numerix continues to innovate and extend its multi-asset class coverage and introduce new pricing models. "We never rest on our laurels," says O'Hanlon, who is full of pride in his staff, who combined hold nearly 100 postgraduate doctoral degrees.

With its vast experience and skilled team, Numerix can be on the money when it comes to new developments. Recently, those developments have been partly centered on responding quickly to customer needs for alternative reference rates. James Jockle, Chief Marketing Officer at Numerix, says: "The move away from Libor is creating significant interest in other reference rates." At the end of this year, customers will see more pricing features and multiple new references in Oneview, and Jockle says "as institutions are reviewing their entire curve infrastructure, we're standing out as a leader."

Following challenges in the bond market and tight margins in equities, structured products are increasingly entering the limelight and



Daniel Schobel (left) and Ping Sun, Numerix

also growing as a focus area for the pricing specialist. "We're seeing new interest in structured products as investors are looking to improve yield and diversity in their portfolios," says Jockle, adding that Numerix is responding to this trend by providing risk management and pricing around structured products.

While all of this is happening in the market, regulators are lurking in the background, putting pressure on firms to ensure calculations are based on accurate data and well-documented models. The data management burden is increasing, and firms are trying to delve into underlying data to comply with regulation. "What's being uncovered is that they don't have [the information]," says O'Hanlon, who suggests the market will see significant changes in the future: "I predict that, over the next five years, you're going to see more banks that need to move to an external pricing and risk library because they can't maintain pricing [in-house]. Numerix will be the company that picks up those opportunities."

Solutions: xVA

Numerix

Following regulatory demand for enhanced risk management procedures and improved pricing capabilities, valuation adjustments – collectively referred to as xVAs – have become increasingly important in fixed income. This has brought about the introduction of the xVA category in *RiskTech100*® in 2017 and, for a second consecutive year, Numerix has been named the winner of the *RiskTech100*® xVA award, underlining the vendor's extensive capabilities in the valuation space.

Numerix started out as a pricing company in 1996 and was an early pioneer of multi-asset class pricing. It built out pricing capabilities for the front office and combined them with market risk capabilities after the company's experience valuing Lehman Brothers' derivatives book following its 2008 bankruptcy. With this extensive experience in the pricing space, the vendor has continued to respond to new trends, including helping customers with xVAs in relation to derivatives instruments as this area has grown in importance.

"The most impressive thing that happened this year is that adoption rate of xVA clients went through the roof, and I expect we'll see a doubling of that next year," says Numerix Chief Executive Officer Steve O'Hanlon.

As regulation is driving a need for an expanding set of xVAs, Numerix has continued to conduct research and introduce new models. According to O'Hanlon, Numerix has "the most celebrated quantitative innovators in the industry," and Numerix's front-to-risk platform Oneview "is the hottest ticket in the marketplace."

In developments relating to xVA, margin valuation adjustment (MVA) has been a



(l-r) Rob Stubbs; Andrew McClelland and Emily Jean-Pierre, Numerix; and Laura Galante

focus area in recent times, as more firms are required to comply with the Basel Committee on Banking Supervision and the International Organization of Securities Commissions' margin requirements. "What we're doing is groundbreaking. We've pioneered this space and delivered MVA to the market first," says O'Hanlon, who adds that firms need a real-time system to produce the results required by chief risk officers and desks, and it is challenging for sell-side and buy-side firms to keep up with the changes without the assistance of a vendor such as Numerix.

This is not the market to be in for anyone planning to slow their pace. Changes keep coming fast, and risk-adjusted pricing is one of the next topics on the agenda. James Jockle, Chief Marketing Officer at Numerix, says the next question will be how firms can communicate risk-adjusted prices downstream. The first area of focus in the xVA space was servicing the xVA desks themselves, he explains, and the second will be taking the results to other front-office users who could benefit from the same data.



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INTELLIGENT FRONT TO RISK



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The key to success in trading lies in the ability to transform to a new market paradigm.

The foundation of that success is a trading and risk technology platform that aligns your desk, risk and operations - front to risk. Business alignment creates knowledge, and knowledge creates a competitive advantage.

True success cannot be achieved without *Oneview*.

To learn more about Numerix Oneview visit www.numerix.com