



Structured  
**products**  
EUROPE AWARDS 2016

Pricing and Analytics Platform of the Year

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# Pricing and analytics platform of the year

## Numerix

The *Fundamental review of the trading book* (FRTB) is a spectre haunting structured product houses across the continent. The new standardised approach for market risk ([www.risk.net/2442076](http://www.risk.net/2442076)) threatens the survival of certain products with exotic underlyings, and dealers crave a clear understanding of how their desks will be affected by it.

Enter Numerix FRTB: a cloud-based service for calculating and reporting impact numbers for FRTB compliance that was launched in October 2016.

“In the face of the FRTB, the need of the hour is to be able to evaluate every business and desk from a capital standpoint and to make determinations about how these desks should evolve and what process changes need to take place,” says Satyam Kancharla, chief strategy officer and head of the client solutions group at Numerix.

Numerix has earned recognition across the industry for its comprehensive coverage of asset classes, client types and internal functions, and judges recognised the constant alignment of its products with evolving regulatory developments.

Using high-performance computing, Numerix FRTB delivers on-demand, automated reports for the FRTB’s standardised approach for market risk, with the option to progress to the internal models approach if warranted by capital savings or other benefits.

“This is where the focus of our new product will be – flexible, modular technology that can be leveraged as a standalone solution for business impact assessment or an integral component of an institution’s broader enterprise-wide transformation,” says Kancharla.

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**“We believe Numerix offers the most complete multi-asset-class structured products system that can price any kind of transaction, liquid or illiquid, and then provide risk management and analytics for XVAs and the FRTB. It is a complete solution for front-office pricing and risk management”**

Steven O’Hanlon, Numerix

Numerix FRTB may be the vendor’s latest initiative, but it recognises that the market risk overhaul is only one of several regulatory challenges facing the industry. More immediately, dealers are preparing for the requirements of the European Union’s Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation and the associated drafting of key information documents.



Jim Jockle

“There are clearly challenges on the horizon for the structured products market, including PRIIPs, and the transparency that our core analytics provides is key, as well as the ability to do risk profiling and simulations of potential product performance in the future,” says James Jockle, chief marketing officer at Numerix.

In alignment with industry moves towards cross-asset structuring and risk management, the Numerix Oneview enterprise platform was

designed to move away from the management of pricing and risk in departmental and product siloes. Launched in the first quarter of 2016, the product brings together derivatives valuation adjustment (XVA) pricing, counterparty credit risk management and market risk on a cross-asset basis.

“We believe Numerix offers the most complete multi-asset-class structured products system that can price any kind of transaction, liquid or illiquid, and then provide risk management and analytics for XVAs and the FRTB. It is a complete solution for front-office pricing and risk management,” says Numerix chief executive Steven O’Hanlon.

In Europe, the Middle East and Africa, Numerix has 123 customers using its technology, with 75 accessing its tools specifically for pricing. Among its client base in the region is Stockholm-based Swedbank, which is using Numerix for XVA calculation and has collaborated closely with the vendor on the development of its offering.

Looking forward, officials at Numerix are bullish about the prospects for structured products, but as PRIIPs is implemented in Europe next year – followed swiftly by the revised Markets in Financial Instruments Directive in 2018 – greater automation and transparency are expected to become driving forces in the industry.

“Structured products play an important role in the portfolio, and as long as they’re sold in the realm of suitability to the right investors, they can be very powerful investment vehicles. Products will probably become simpler and less capital intensive, but this will remain an important asset class,” says Jockle. ■