

waters
rankings
1
3 **2012**

**Best Credit Risk
Solution Provider**

**Best Risk Analytics
Provider**

Winner

 **Numerix**

Best Credit Risk Solution Provider Numerix

In yet another upset, Numerix, which hasn't featured in the top three of this category for the last two years, was named by *Waters* readers as the best credit risk solution provider, unseating two-time winner Moody's Analytics.

1. Numerix 18%
2. Quantifi 13.1%
3. SunGard 11%

Best Risk Analytics Provider Numerix

As in the credit risk category, Numerix staged an upset—in this case, of two-time winner Algorithmics—and took the Best Risk Analytics Provider award.

1. Numerix 32.4%
2. Interactive Data 16.7%
3. SunGard 12.1%



Steven O'Hanlon

“Numerix made major enhancements to its core analytics architecture for pricing, valuation and risk management in 2012. Unique innovation for cloud enablement was introduced to provide customers with the ability to burst pricing and risk calculations to the cloud, ultimately lowering total cost of ownership (TCO), boosting productivity and empowering more granular analysis of their portfolios.”

Numerix Advances Cloud Risk Strategy

Numerix's dual wins for Best Credit Risk Solution Provider and Best Risk Analytics Provider have cemented its position as an industry leader in this ever-competitive field.

Risk, along with regulation, is one of the words on everyone's lips at present. Several public failings of risk controls at investment banks of late have enhanced political and regulatory focus in the area, while continued cross-asset investment and diversification have forced new and improved models to be developed. Added to that, the ability to analyze results and assess—closer to real-time than ever before—the potential risk impact is becoming a prime consideration.

"If you think about risk in many different ways, it's not additive," says James Jockle, senior vice president of marketing at Numerix. "We needed to couple price libraries with risk analytics, alongside technology solutions, in order to aggregate positions in their entirety for our clients. They had to be brought into the solution to run the appropriate analytics. Because of our base in pricing and valuation, the ability to cover 100 percent of the portfolio—including bespoke products as well as hybrid instruments—we've been able to differentiate ourselves from any other solution because the underlying coverage for any portfolio construction runs on top of the quantitative solutions required for managing counterparty risk."

Regulation Looms

For Numerix, which operates primarily for sell-side clients such as banks, the theme that affects clients most in terms of risk is regulation. Basel III is mandating capital adequacy requirements—while other capital markets legislation continues to add pressure to internal structures—and emphasizes the importance of having a competent risk regime.

"It all comes down to capital management," Jockle explains. "Basel III is mandating new capital requirements for the banks themselves, and reporting requirements in determining what capital is required. That's causing new ways of looking at value-at-risk (VaR) in terms of stress VaR, scenario analysis, and stress testing, and new reporting as it relates to credit valuation adjustment (CVA), not just on the book level, but on individual trades. So the overarching goal of all regulatory reform, at this point, is

the reduction of systemic risk, and having well-capitalized banks through more sophisticated and standardized reporting should play into the overall health of the global banking system."

Another area that Numerix sees potential in, and one that it is moving swiftly into, is funding valuation adjustment (FVA). FVA represents, in many ways, the granularity with which firms are required to now extend procedures and processes across the front office, and Numerix has been trialing in this space already so far this year.

"One of the more hotly debated topics in the market right now is around FVA, which is a funding valuation adjustment. We've been working to have that software, we've made a few introductions of it over the past few months, and it's a continual area of focus right now," Jockle continues. "People aren't just trying to figure out how they model FVA, but how that translates and how it's being used throughout the

desks. Funding and liquidity management are becoming much more important, particularly with more onerous capital requirements on the banks. It's something you'll be hearing more about in the near future."

Cloud Cover

Numerix is looking at newer technological infrastructures to support its efforts in the risk area. Having recently been dubbed the independent software vendor partner of the year by Microsoft, it is continuing to roll out its applications and analytics layers to a cloud base.

"The relevance as it relates to us specifically is that a stated goal of Numerix is to move our analytics and risk into the cloud," says Steve O'Hanlon, president and chief operating officer at Numerix. "We're well along the way in the process through our relationship with Microsoft, because we're leveraging Azure in order to be able to do that. We're already putting our products into the cloud, and we're able to provide that as a solution. It means you'll see more and more of the risk products there over the next 12 months or so." **W**

“We’re already putting our products into the cloud, and we’re able to provide that as a solution. It means you’ll see more and more of the risk products there over the next 12 months or so.” Steve O’Hanlon, Numerix



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