



Fast, flexible CVA pricing tools

Fast, flexible tools to help traders price CVA and assess counterparty credit risk on new trades and portfolios

- Fast CVA and DVA
- Excel™ based for maximum flexibility
- Default correlation, i.e. wrong-way risk
- Volatility of underlying market variables
- Unilateral or bilateral collateral thresholds
- Marginal CVA, with or without netting
- PFE and EE profiles, conditional on default
- Sensitivities to all inputs



FAST, FLEXIBLE CVA PRICING TOOLS

Quantifi CVA is a suite of Excel™ based pricing tools giving traders an extremely fast and cost-effective means to price CVA on new trades independently or as an incremental charge on existing portfolios. The model reflects current best practice and helps traders correctly price in default correlation, i.e. wrong-way risk between the counterparty and the underlying asset, as well as volatility.

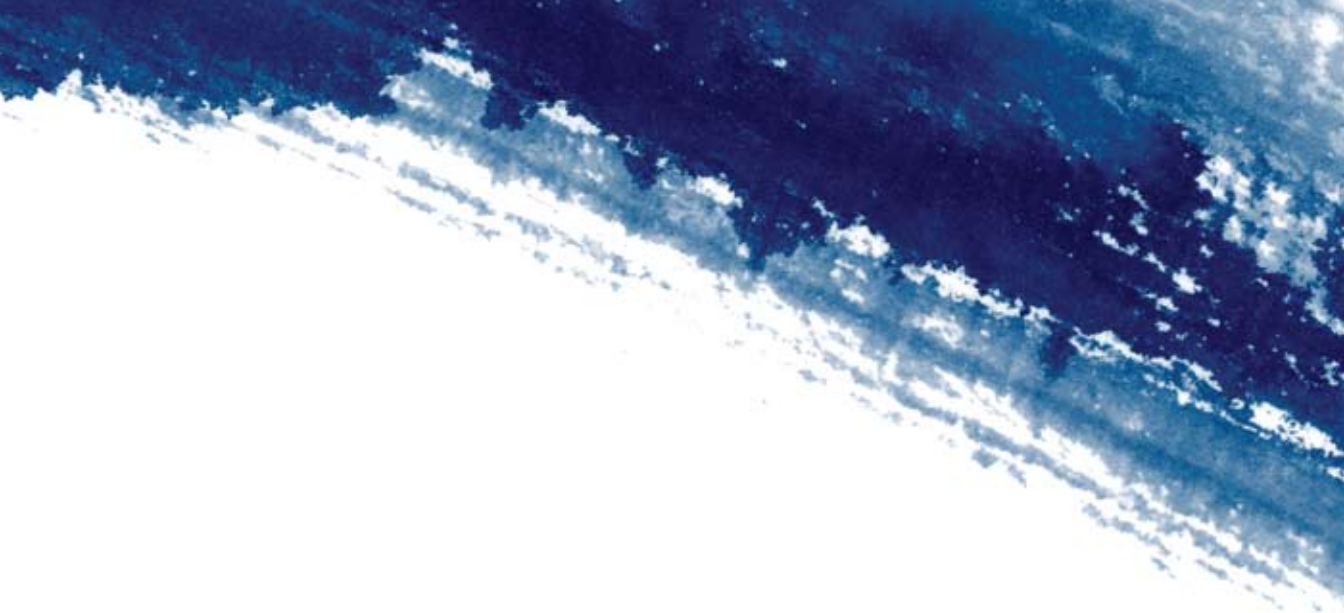
THE RIGHT PRICE FOR COUNTERPARTY CREDIT RISK

Best of breed models incorporating correlation and volatility

On the heels of a major financial crisis that saw the failure of a global bank and near failure of several others, institutions must be able to correctly price and manage counterparty credit risk. Difficult problems like correlation (wrong-way risk) and volatility can no longer be assumed away or improperly valued. Invariably, new regulations on top of existing accounting and capital rules will present additional challenges.

Some institutions assign responsibility for pricing and managing counterparty credit risk to a central CVA group while others delegate it to the individual business units. Regardless of how it is done, individual traders and risk managers need their own capability to verify pricing and understand the dynamics of the risk. This capability should capture all the relevant drivers of the exposure, including correlation with the counterparty's default probability, while allowing maximum flexibility so that all input parameters can be stressed to ensure transparency.

Quantifi addresses this need with fast CVA pricing tools built on industry-leading and proven credit derivatives technology. The advanced models, based on recognised best practices, calculate CVA for new transactions independently or in the context of existing portfolios and include the effects of netting and collateral. Quantifi gives practitioners an immediate solution to counterparty credit risk pricing and risk management at a low cost of ownership.



WHY QUANTIFI CVA?

Improve CVA pricing speed and accuracy

Quantifi CVA is based on recognised best-of-breed CVA pricing models. The models calculate CVA by effectively simulating counterparty defaults and the range of potential exposures at each default time. Semi-analytic techniques are used to achieve near real-time performance without compromising accuracy.

Price wrong-way risk correctly

Wrong-way (or right-way) risk arises from correlation between the counterparty's default probability and the exposure. For example, buying credit protection from a counterparty whose credit quality is positively correlated to the reference name generates wrong-way risk. After the recent crisis, the ability to price and manage this risk is seen as absolutely critical. Quantifi CVA is built on proven structured credit models that price this risk correctly.

Improve counterparty risk management

Whether counterparty risk is managed by a central control group or by the individual trading desks, practitioners need tools to help them analyse and hedge specific exposures. These tools are also important where risk measures are generated by complex portfolio simulation systems. Quantifi CVA can be used as the primary means to manage counterparty risk or provide insight on relatively opaque simulation outputs.

Analyse CVA with maximum flexibility

In addition to the market rates and other input parameters needed to price a derivative transaction, counterparty credit spreads, correlations and volatilities are also needed to calculate the CVA. The ability to stress each of these inputs adds significant transparency and continuously improves pricing quality. Quantifi CVA is built on Excel™, an ideal and ubiquitous environment for this type of analysis.

Price CVA on trades or portfolios

Ideally, pricing CVA on each new trade would happen in real-time and reflect netting and collateral agreements. Indeed, several top tier banks have the ability to incrementally price CVA in the context of the whole portfolio, which can provide a competitive advantage. For other institutions, CVA for each trade is calculated independently. Quantifi CVA can price trades independently or as part of a counterparty netting set with unilateral or bilateral collateral thresholds.

Buy only the tools needed

Many institutions have robust CVA pricing capabilities for some or all the products they trade. Invariably, there are gaps in product coverage, deficiencies in models or simply the need for an alternative valuation. Quantifi CVA allows institutions to directly address each of these needs in a cost-effective manner.

ABOUT QUANTIFI

Quantifi is a leading provider of analytics, trading and risk management software for the Global Capital Markets. Our suite of integrated pre and post-trade solutions allow market participants to better value, trade and risk manage their exposures and respond more effectively to changing market conditions.

Founded in 2002, Quantifi has over 120 top-tier clients including five of the six largest global banks, two of the three largest asset managers, leading hedge funds, insurance companies, pension funds and other financial institutions across 15 countries.

Renowned for our client focus, depth of experience and commitment to innovation, Quantifi is consistently first-to-market with intuitive, award-winning solutions.

SUPPORT

Quantifi's reputation is built on a culture of client service and outstanding support. Experienced financial engineers offer guidance on pricing and modelling everything from simple vanilla instruments to the most complex structured products. Technology experts ensure the seamless integration of Quantifi products into existing environments. From the evaluation stage to production and on-going support we are available to assist at every step of the way.

SERVICES

Quantifi Client Services comprises of highly skilled financial and technical experts with extensive experience in top-tier financial companies. Our range of value-added services, including proof-of-concept, product customisation, implementation and training are tailored to address the specific needs of each client. We are dedicated to helping clients reduce costs, improve time to market and increase efficiency while consistently exceeding expectations.

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