

Nordic Bond Pricing (NBP): Improving Pricing and Bond Valuations with FINCAD

NORDIC BOND PRICING

Nordic Bond Pricing (NBP) is the leading independent provider of daily evaluated pricing and benchmark indices for the Nordic bond market. The company has developed models and analytical tools that, together with local market intelligence, put NBP in a position to provide clients with accurate and reliable information. NBP's clients are mostly institutional buy-side firms with high quality expectations, including asset managers, mutual funds, insurance companies and banks.

THE CHALLENGE

NBP set out to locate new valuation and risk technology that could help them generate fast and reliable pricing and key ratio calculations for several thousand instruments. The company also wanted to streamline its operational platform and was looking for a technical solution that could integrate with existing data solutions rather than adding unnecessary complexity. Further, NBP was focused on finding a technical solution that could offer thorough documentation, transparency and support.

"One of the many challenges with advanced technical solutions is that they often lack a transparent view of how valuations are calculated," commented Stig Korsnes, Senior Analyst at NBP. "In this business, you need that transparency. Often a client will query us on how we arrived at a given valuation result. We need the ability to provide them this information to demonstrate our credibility." Armed with a clear checklist of what they wanted from a new valuation and risk solution, NBP began their

search. They desired a flexible system with detailed documentation, expert and timely support, simplicity of use and setup, and complete transparency into valuation calculations.

"FINCAD provides reliable and accurate independent bond prices and allows us to respond swiftly to market changes."

VEGARD ANNWEILER, CEO, NBP

SOLUTION

NBP's CEO, Vegard Annweiler had used FINCAD solutions successfully in a previous company, and thus turning to them again was a natural choice. "I was a user of FINCAD's Excel tool in a former job, and have regularly followed FINCAD through various

papers and webinars. We were quite up to date on the various solutions in the market when we decided that FINCAD was the best choice for NBP," said Vegard.

NBP ultimately selected FINCAD's enterprise valuation and risk solution, which includes a best-in-class, object-oriented analytics library. FINCAD now serves as the pricing engine for the company's valuation process. It is currently used for pricing more than 3,000 corporate bonds, including fixed coupon, floating rate, amortizing, callable, varied payment structures and others. A large proportion of Nordic buy-side firms rely on NBP's data in their net asset value calculations, as well as for benchmark and attribution analysis.

THE RESULTS

NBP has achieved several positive results since implementing FINCAD.

Centralized Data: Using FINCAD has simplified NBP's technical setup, as now there is one central location for data to be stored.

Consistent Results: Using FINCAD, the company has been able to create an efficient pricing and risk workflow that yields consistent pricing and risk calculations that are consumed by all their clients. "FINCAD provides reliable and accurate independent bond prices and allows us to respond swiftly to market changes," said Vegard.

Easy Integration: NBP has successfully integrated FINCAD's comprehensive models with their market leading data and in-house models.

Reduced Risk: The reduction in manual interaction involved in producing valuations is resulting in lowered operational risk and time savings.

Greater Efficiency: NBP's processes have become more efficient. "With the FINCAD solution technical upgrades take mere minutes. It's a remarkable time savings," commented Stig.

Flexibility: Users at NBP appreciate the flexibility and modular nature of FINCAD. "From our experience with FINCAD, new features and enhancements can be added effectively and in a timely manner. This would not have been possible for us before without some clever engineering," said Stig.

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STIG KORSNES, Senior Analyst at NBP

LOOKING FORWARD

NBP plans to utilize FINCAD to create customized solutions when needed. "The financial instruments we handle are typically plain vanilla fixed income. However, there are a few instruments, such as non-standardized cash-flows/amortization bonds and linked notes that require additional attention in order to calculate the correct values. We expect that FINCAD will be able to create customized solutions and models that will help us handle such cases efficiently, and with minimum operational risk," concluded Vegard..



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