

F3 SDK Used to Extend Derivatives Functionality in SimCorp Dimension and Meet Ever-Growing Requirements for Advanced Pricing Capabilities

“FINCAD derivatives pricing expertise perfectly complements SimCorp Dimension, allowing us to offer our customers access to timely, accurate and proven pricing for credit and other more complex derivatives seamlessly from their existing SimCorp Dimension solutions.”

Søren G.A. Pedersen, Vice President of Partner Development, SimCorp



WHY DID SIMCORP APPROACH FINCAD?

SimCorp, a leading provider of highly specialised software and financial know-how for the financial sector, has been working with financial institutions for more than 30 years. SimCorp Dimension, its software platform for the investment management community, is the world’s most advanced front-to-back seamless processing system for investment management.

SimCorp has now expanded the derivatives coverage of SimCorp Dimension to include credit derivatives, as well as a range of instruments implemented with the system’s new XpressInstruments framework. This new module enables users to handle exotic derivatives, structured products and hybrids and SimCorp recognized that customers would benefit greatly from integrating this with an industry-standard financial analytics library. FINCAD’s reputation for accurate, reliable, industry standard analytics made it the clearly preferred choice.

WHAT DID SIMCORP NEED?

The challenge faced by SimCorp is one faced by many software vendors: how to expand the derivatives coverage of its system without negatively impacting the infrastructure used by existing functionality or affecting customers adversely. Specifically, SimCorp was looking for the following:

- 1) An analytics library that would meet its financial and technical requirements, both now and in the future.
 - 2) Technology that would work with the generic trade representation language* that was already used in SimCorp Dimension’s XpressInstruments framework.
 - 3) A trustworthy technology partner, with an excellent reputation for supplying accurate, reliable derivatives analytics.
- * The generic trade representation language used in SimCorp Dimension is delivered by LexIFI SAS (www.lexifi.com)

WHAT SOLUTION DID FINCAD PROVIDE TO SIMCORP?

FINCAD solved all of SimCorp’s technical requirements with FINCAD Financial Framework technology used to create the F3 SDK. The result was a three-part solution:

- 1) FINCAD Analytics were incorporated into SimCorp Dimension to expand its derivatives functionality.
- 2) FINCAD built a connector between the generic trade representation language used by SimCorp Dimension and the FINCAD Analytics library.
- 3) A long-term development partnership was formed that would solve SimCorp’s needs today and will respond to changing business requirements in the future.

FINCAD ANALYTICS LIBRARY

The first part of the solution provided to SimCorp was FINCAD’s comprehensive, cross-asset class derivatives analytics library. While SimCorp initially focused on expanding the credit coverage in SimCorp Dimension, SimCorp also planned from the outset to utilize F3 SDK’s flexible architecture to value more complex and structured products built in XpressInstruments. This module exploits F3 SDK’s relatively easy-to-use interface, so F3 SDK valuations for the expanded range of derivatives are an intrinsic part of what XpressInstruments delivers to the user.

Rather than treating each derivative as something entirely discrete, F3 SDK operates at a highly granular level. Small building blocks can then be connected together through a simple user interface, making it possible to model and price virtually any kind of trade. In addition to the value, F3 SDK allows calculation of the first order risk for all market data inputs and dependent variables to which the trade or portfolio is exposed. Being able to calculate this risk means SimCorp can provide its customers with the advanced risk analytics needed in today’s volatile markets.

GENERIC TRADE REPRESENTATION LANGUAGE CONNECTOR

The FINCAD Professional Services team also provided a custom solution to SimCorp by building a connector to the generic trade representation language used in the SimCorp Dimension

Case Study *continued*

XpressInstruments framework for creating complex instruments. The connector passes information from XpressInstruments to the FINCAD Analytics engine to obtain value and risk figures for the trade. This frees the user to concentrate on the business solution provided in XpressInstruments without having to be concerned with the detail of F3 SDK. It also means that SimCorp has been able to leverage its initial investment in the generic trade representation language. The technology used to build the connector is robust so it will adapt and expand as SimCorp's technology needs change.

LONG-TERM DEVELOPMENT PARTNER

Since 1990 FINCAD has been providing finance professionals with the software and services that support the valuation and risk management of financial securities and derivatives. FINCAD's reputation for accurate, reliable analytics and their leading partnership program, the FINCAD Alliance Program, meant that SimCorp could trust that FINCAD's solution would satisfy its business requirements today. SimCorp recognized FINCAD as a good candidate for a long-term development partnership after reviewing FINCAD's analytics and technology roadmap, as well as assessing the qualities of the company itself. SimCorp identified that the two companies were moving in the same direction and felt very comfortable that cultures could work together effectively - a confidence which proved well placed when FINCAD and SimCorp used integrated project teams to incorporate F3 SDK into SimCorp Dimension.

WHAT BENEFITS HAVE SIMCORP RECEIVED FROM USING F3 SDK?

By integrating F3 SDK into SimCorp Dimension, SimCorp can expand its derivatives coverage quickly in order to meet the constantly changing needs of its customers.

MEET CUSTOMERS' CHANGING NEEDS — QUICKLY

The flexibility and powerful nature of F3 SDK made integrating FINCAD Analytics easier and allowed the derivatives offering in SimCorp Dimension to include valuation and risk measurements for sophisticated derivatives faster than developing this functionality in-house or using other technology solutions. Using F3 SDK meant that SimCorp could focus on its core business. The object-oriented architecture of the technology and the ability to support multithreaded and grid processing mean the F3 SDK will deliver the performance and scalability required by SimCorp's customers.

Using the technology and analytics behind F3 SDK within SimCorp Dimension means SimCorp's customers get access to timely, accurate and proven pricing for credit and other more complex derivatives seamlessly. Customers can avoid the excessive data manipulation task required to price such positions. The result is reduced operational risk while simultaneously improving efficiency.

As SimCorp's customers demand more complex derivatives coverage, by using F3 SDK, SimCorp

Dimension can be expanded to meet these needs without any further changes to the integration that exists between the two products.

LEARN MORE ABOUT SIMCORP

SimCorp is the originator and supplier of SimCorp Dimension, the most advanced enterprise investment management system available today. In use by over 160 investment management businesses, insurers, fund administrators and wealth managers around the world, SimCorp Dimension provides a basis for these organisations to mitigate many kinds of risks, control and reduce costs and to grow their businesses.

SimCorp Dimension covers conventional asset classes and highly advanced derivatives across virtually all asset management processes, in a single system. Many of these instruments require theoretical pricing best provided by specialists in the field, so FINCAD's comprehensive cross-asset analytics library is a natural fit to supplement and complement the functionality available within SimCorp Dimension itself.

SimCorp is headquartered in Denmark and has 15 subsidiaries on four continents. SimCorp Dimension is SimCorp's only product and of the company's 1100 employees, 400 continue to develop and enhance the system.

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