

NWB Bank: Improving Valuation Accuracy with FINCAD

NWB) BANK

Nederlandse Waterschapsbank N.V. (NWB Bank) is a leading financial services provider for the Dutch public sector. The bank primarily serves local and regional authorities (water authorities, municipalities and provinces), as well as institutions guaranteed by the government or local and regional authorities, such as housing associations and health care institutions.

THE CHALLENGE

NWB Bank uses derivatives for hedging and has a portfolio of approximately 6,000 positions, which range from plain vanilla swaps through to complex structured instruments. The bank had been working with three different software providers for obtaining valuations on their entire portfolio. These valuations were provided on an end-of-day basis.

Since each system utilized different models for valuations, there was an increased risk for inconsistency and errors, particularly with their counterparties. It was also difficult for NWB Bank to get the visibility they needed into valuation calculations and the infrastructure.

NWB Bank needed a single source of truth that could help them obtain accurate and transparent valuations. Management anticipated that partnering with just one provider, as opposed to three would improve valuation consistency and simplify servicing and processing.

“Using FINCAD we have the ability to accurately value our entire portfolio using one system.”

MARK VAN DOORN, Treasurer at NWB Bank

SOLUTION

NWB Bank evaluated several software providers before deciding on FINCAD. “Ultimately we selected FINCAD because they ticked all of our boxes in terms of requirements,” said Mark van Doorn, Treasurer at NWB Bank. “Using FINCAD we have the ability to accurately value our entire portfolio using one system. Additionally, the flexibility of the solution, as well as the ease of use facilitated by the Excel add-in and the dashboard were of a higher caliber compared to other competitor solutions,” van Doorn added.

“Throughout the implementation process, we appreciated the collaboration we had with the experienced FINCAD team, said Paul Janse, Information Analyst at NWB Bank. “They not only provided us with modeling options for our valuations but also gave us recommendations on which of those options might work best.”

THE RESULTS

NWB Bank now uses one powerful calculation engine for generating consistent valuations on its portfolio of nearly 6,000 positions, consisting of vanilla interest rate swaps through to more complex structured products:

Benefits include:

Modelling Consistency: FINCAD has helped NWB Bank to consolidate their use of multiple valuation systems down to just one flexible system, resulting in full valuation consistency across applications and instrument types.

Improved Collateral Management: FINCAD is being used for the determination of collateral flows between NWB Bank and its counterparties. This approach is helping the bank optimally manage counterparty exposure.

Seamless Integration: “With FINCAD, we have been able to integrate market data and valuations in an automated and seamless end of day valuation process,” said Janse.

Accurate End of Day Valuations: NWB Bank leverages accurate end of day valuations produced by FINCAD for many key purposes, including internal reporting, managing balance sheet exposure and regulatory reporting.

Improved Hedge Accounting: “With FINCAD, our hedge accounting process, which runs approximately

100,000 instrument valuations twice per month, has become far more consistent,” commented Janse. Additionally, using FINCAD has helped the bank eliminate manual data aggregation that was once necessary when different systems were in use.

Better Flexibility: “Before FINCAD, we dealt with constraints when we wanted to add new features,” said van Doorn. “However, FINCAD allows us to easily expand usage into new instrument types, currencies or analytics. Having this ability enables us to deliver more value-added services to our clients in a shorter timeframe,” he added.

Improved Control: Since implementing FINCAD, NWB Bank reported increased transparency and control over their valuation workflow. “Using FINCAD gives us greater insight into the valuation process and allows for visibility into all details of a given valuation,” said Janse.

“With FINCAD, we have been able to integrate market data and valuations in an automated and seamless end of day valuation process.”

PAUL JANSE, Information Analyst at NWB Bank

LOOKING AHEAD

“All in all, we are pleased to say that every one of the goals we laid out for our FINCAD solution have been met. We look forward to the fact that FINCAD will give us the ongoing ability to deliver more services, more quickly to our clients,” said van Doorn.

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