



TDC is the leading Danish TelCo, providing communications solutions and Pay-TV to an extensive customer base.

TDC: Valuation and Risk of Complex Portfolios using FINCAD Analytics Suite from Numerix

The Challenge

TDC's pension team recognized the need to add a sophisticated solution for modeling and performing risk calculations on its interest rate derivatives portfolio for risk management, accounting and trading. TDC required an easy-to-use risk and analytics tool to support both pension participants and internal personnel. The technology also needed to be flexible and capable of evolving with a shifting market environment. Furthermore, TDC needed a tool that offered broad asset coverage to enable them to expand business without investing time and money building out additional technology.

The Solution

TDC chose FINCAD Analytics Suite from Numerix to support its risk management requirements. The solution is currently run in the Microsoft Excel® environment by six members of the treasury department. FINCAD Analytics Suite helps organizations to begin valuing and running risk on derivatives and fixed income portfolios quickly and easily.

"We were pleased that FINCAD Analytics Suite could be deployed through an Excel interface, as this provided easy integration with our existing technology setup. The output from the solution feeds directly into our risk management system," commented Igor Baranovski, Risk Manager at TDC.

The pension team uses an internally developed risk model that leverages FINCAD analytics for calculating rates derivatives value and exposure. FINCAD Analytics Suite also facilitates asset liability management (ALM). Specifically, TDC has integrated FINCAD's fixed income capabilities into its risk model, helping the company calculate discount factors and interest rate curves for ALM. Once the interest rate curves are built, TDC uses the results to stress test their portfolios.

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Igor Baranovski, Risk Manager,
TDC



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The Results

TDC has been pleased with the speed, accuracy and reliability of FINCAD Analytics Suite from Numerix. Details of their specific achievements are discussed below.

Comprehensive Coverage: “FINCAD contains all the calculations and formulas we need to effectively manage our derivatives portfolio. We use the solution straight out of the box and have been able to quickly obtain all the market values and risk statistics we need. FINCAD is comprehensive, but at the same time easy to use,” stated Baranovski.

Continuous Improvement: TDC also values that FINCAD continually improves the sophistication and usability of the solution’s pricing coverage and underlying functions.

Thorough Documentation: Another key feature of FINCAD Analytics Suite is the documentation. It offers a thorough range of reference materials that TDC uses to back up underlying functions—both in mathematical and usability ways, such as tips on how to input variables and other key functionality.

Curves and Discounting: FINCAD helps TDC calculate discount factors and rate curves for cash flow discounting and fund liability management, as well as stress testing underlying interest rates.

Compliance: As a corporate pension fund, TDC is not subject to the same regulatory standards as other financial firms are, such as Basel III or EMIR. However, the company uses FINCAD for compliance with local requirements for stress testing exposure to interest rates.

Expertise: “One area we really appreciate is the responsiveness of the FINCAD Client Services team. When you are in the middle of a new implementation, it is inconvenient to wait for responses to pressing questions. Time is money. It’s great having access to knowledgeable and experienced support personnel that are always eager to help,” remarked Baranovski.

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