

Make Complex Risk Measures Work for Your Business with RaaS

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Risk is an increasingly complex challenge for the modern business managing trading positions. Even if trading isn't your core activity, there's growing pressure to adopt the same sophisticated risk measures as top investment banks. But without the right support, these intricate calculations can be out of reach to most institutions.

Take the credit valuation adjustment (CVA). If you trade bilateral derivative instruments, you'll need to calculate and report CVA in your accounting statement under the requirements of IFRS 13 globally or FAS 157 in the US. And to optimize your margins, you'll want to keep your CVA charges as low as possible, too.

To make the calculation work, however, you need three areas, not just the first as many people may initially understand:

1. A fast risk engine

A powerful risk simulation and calculation engine will automate complex calculation processes and deliver accurate results rapidly.

2. Market data

Critical data on volatility surfaces and the creditworthiness of counterparties can be expensive and will need managing, documenting and cleaning.

3. Quantitative skills

Once you've gathered and validated all that data, you need to know what to do with it. **Do you have the expertise required to run complex models, calibrate the input parameters and understand the results?**

In other words, automation alone can't do the job, no matter how robust your risk engine. Quantitative calculations like CVA take a lot of hard work from highly skilled professionals – and, as a result, have traditionally cost more than most organizations can afford. But traditions can be temporary, and an innovative new operating model is ushering in a new era of cost-effective risk calculations. Through FIS' Risk as a Service (RaaS), you can now use sophisticated risk metrics bypassing exclusive barriers to entry.

In a nutshell, the FIS' RaaS model provides the high-performance risk system, which takes care of the inputs to the model and helps you justify and explain the outputs.



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How can this efficiency work?

RaaS providers spread the cost of market data, expertise and resources among many institutions using the service. Additionally, they take the expertise from working with larger players in the markets and ensure that knowledge is embedded in the service. This allows them to deliver unprecedented economies of scale and significantly reduce the cost of quantitative calculations. Calculating risk more accurately will help you improve your bottom line.

Why stop at CVA?

The ideal RaaS provider will manage a full range of metrics, for pricing, market and credit risk – keeping all your calculations neatly, consistently and cost-effectively, in one system. The fact is that complex risk calculations are no longer the preserve of the investment banking community. If you run a trading book or hedge your exposures, a more sophisticated approach to risk analysis will help you both comply with regulation and trade more effectively.

While previously the quantitative capabilities may have been out of your price range, now with RaaS on the rise, can you afford not to take advantage of the latest opportunities?

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