



VISUALIZING RISKS.

UNRISKOMEGA<sup>PRC</sup>

EXPLAIN FINANCIAL RISK OF INVESTMENT PRODUCTS USING  
PRODUCT RISK CLASSIFICATIONS



[www.unriskomega.com](http://www.unriskomega.com)  
[sales@unriskomega.com](mailto:sales@unriskomega.com)

## What is the PRC?

### Enable Risk Comparison

The product risk classification (PRC) is a risk indicator that is based on quantitative models. It allows to compare financial risk of investment products of different kinds and asset classes. The three relevant risk factors - market risk, credit risk and liquidity risk – are all incorporated into the PRC, which does not include portfolio aspects. The PRC is based on historical data and thus can vary during the life time of a product.

### Fulfil Regulatory Requirements

With the product risk classification, UnRiskOmega adds another building block for fulfilling requirements such as FIDLEG or MiFID II, which require checking the suitability and appropriateness of investment proposals as well as providing the customer with transparent and comprehensible information on all risks connected with the investment. From a regulatory point of view, the PRC becomes important as soon as an advisor needs to assess whether a client is, based on his risk profile, able to bear the financial risk of a specific investment. For an assessment in the context of a portfolio, the PRC can be used in checks for suitability and appropriateness, such as those performed by our comprehensive advisory solution UnRiskOmega<sup>Wealth</sup>.

## The UnRiskOmega PRC Model.

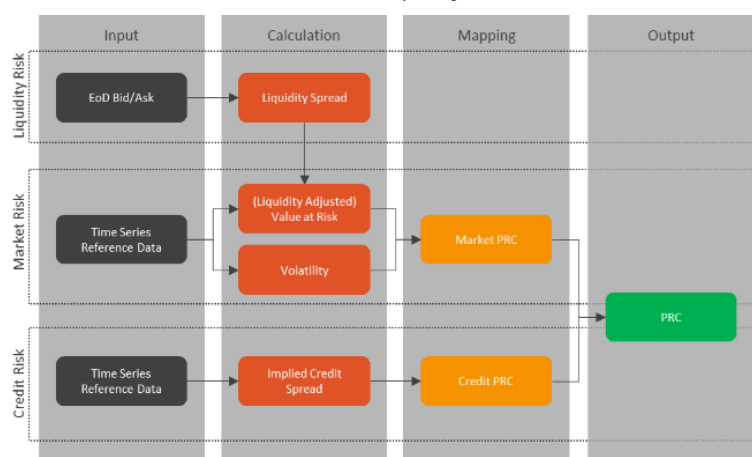
### Pragmatic methodology using a quantitative model

The PRC is an indicator that describes the financial risk of a specific investment product without considering its context in a portfolio, and ranges from 1 (low risk) to 7 (high risk). It is based on three underlying risk indicators market risk, credit risk and liquidity risk. These risk indicators are calculated using quantitative models that are developed and maintained by UnRiskOmega.

**Market risk:** The market risk indicator is based on the volatility and the Liquidity Adjusted Value-at-Risk (LVaR) of the investment product. The volatility is the main risk driver of market risk which can be adjusted upwards by the LVaR. The market risk is shown separately as Sub-PRC.

**Credit risk:** The credit risk is calculated for investment products with interest rate components. The main indicator is the implied credit spread, which is calculated from the difference between the fair value and the market price. The credit risk is shown separately as Sub-PRC.

**Liquidity risk:** Liquidity risk is calculated using the difference between the bid and ask prices (liquidity spread) of the investment product. It enters market risk in the form of the Liquidity Adjusted VaR.



### Customizable Model

On request, the PRC model of UnRiskOmega can be customized to the requirements of banks and independent asset managers (IAM). For instance, alternative PRC scales (e.g., 1 to 5) or inclusion of qualitative data, such as ratings, is possible.

### Comprehensive Service

With UnRiskOmega<sup>PRC</sup>, UnRiskOmega offers a comprehensive PRC solution. In a stipulated frequency, banks or IAM send the identification numbers of all products in their investment universe for which they want to calculate the PRC to UnRiskOmega. The PRC are calculated centrally by UnRiskOmega and can then be accessed through an API or a file-based interface. Banks and IAM do not need to care about technical details such as acquiring and maintaining market and reference data as UnRiskOmega automatically obtains all required data from different data providers, and takes care of preparing, storing and maintaining data. This guarantees a comprehensive service with highest quality.

## Advantages of UnRiskOmega<sup>PRC</sup>

### Advantages for Banks and IAM

- ✓ Pragmatic, customizable PRC solution
- ✓ Building block for fulfilling regulatory requirements

### Advantages for Advisors

- ✓ Comprehensible communication of risk
- ✓ Efficient navigation in large investment universes

### Advantages for Clients

- ✓ Understand financial risks of investment products
- ✓ Develop realistic expectations of obtainable returns

### Interested in a Live-Demonstration?

#### Contact us today!

UnRiskOmega AG  
Weierstrasse 10  
CH-8302 Kloten

+41 44 800 30 30  
sales@unriskomega.com  
www.unriskomega.com

#### UnRiskOmega Team:

MATH  
CONSULT  
GmbH

multilateral

uni software plus