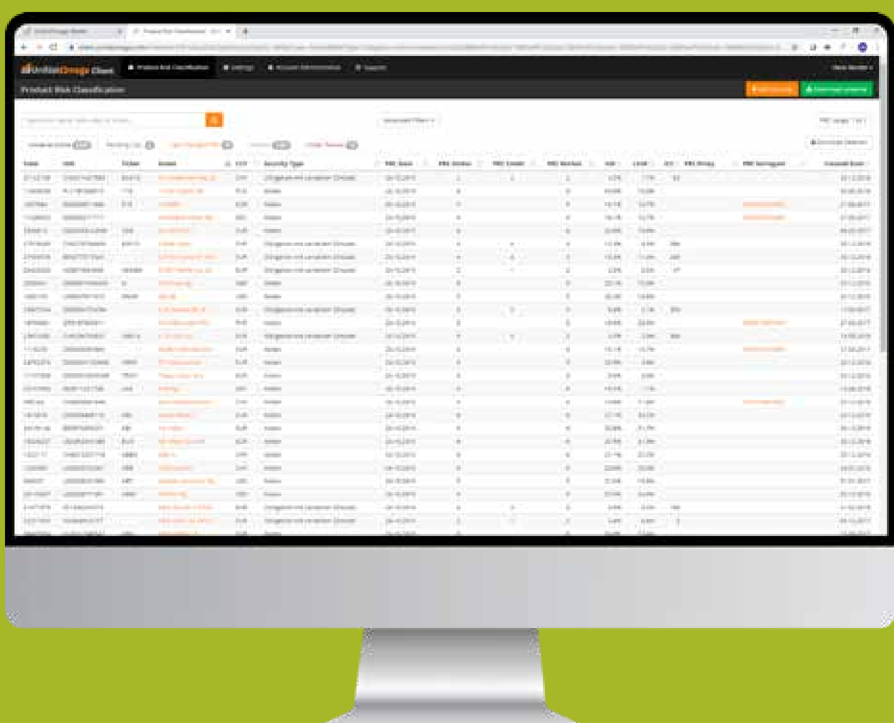
UnRiskΩmega

VISUALIZING RISKS.

PRC

Transparent and comprehensive product-risk-classification considering market, credit and liquidity risks.



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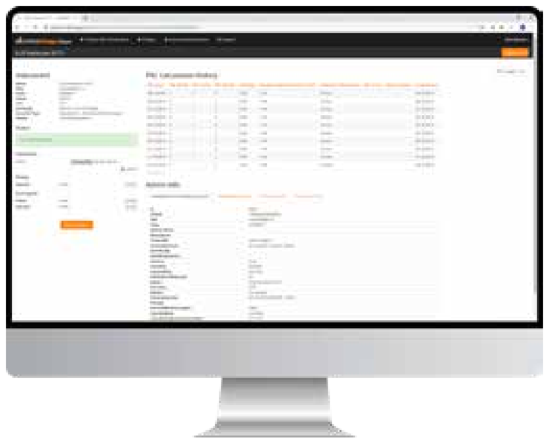
Challenges for providers of financial services

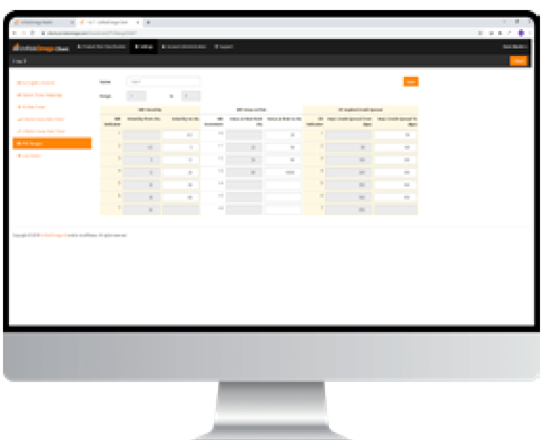
Today's world is characterised by increased information and transparency needs and the requirement to protect investors. This requires financial services providers to inform their clients thoroughly about all material risk factors in a transparent and understandable way.
The complexity of the investment sector, covering a wide range of financial products, makes it difficult to present the opportunities and risks in a simple and comprehensive way. Furthermore, different regulations for various product types and different client groups make the presentation of the risk of a specific product and the comparison of risks across different product types even more challenging.

What support does the solution PRC offer?

UnRiskOmega's PRC service supports financial service providers in their advisory process. The reliable product-risk-classifications enable a comparison of financial risks of financial products across all asset and product types. Considering the three relevant risk factors (market, credit and liquidity risk), the service assesses the product-risk class (PRC) of every desired financial product using a purely quantitative approach. The PRC calculations are based on historical data of the financial product without taking the specific portfolio aspects of the investor into account.



The PRC model utilises purely quantitative data, following a pragmatic approach. The PRC itself in the standard scaling is a risk indicator between 1 (low risk) and 7 (high risk) indicating the risk of the financial product and is based on market, credit and liquidity risks. The PRC is presented as the maximum of the underlying risk factors.

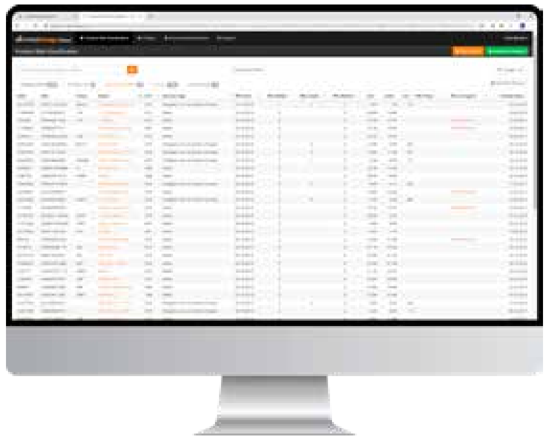


Market risk

The market risk is based on the volatility and the liquidity adjusted value at risk (LVaR) of the financial product. Volatility is the main driving force of market risk. It can be adjusted upwards based on the LVaR.

Credit risk

The credit risk for financial products with interest components is calculated using the Implied Credit Spread, derived from the difference between the fair value and the traded price.



Liquidity risk

The liquidity risk is determined by the Bid-Ask-Spread and is included in the calculations of the market risk via the LVaR. Upon request, the liquidity risk indicator shows whether the specific product bears a significant liquidity risk.

The standard model can be individualised by the financial service provider. This includes the possibility of configuring the PRC scale (e.g. 1-5), determining the bandwidth of the specific risk factors and defining fallback methods in case the market and reference data are insufficient.

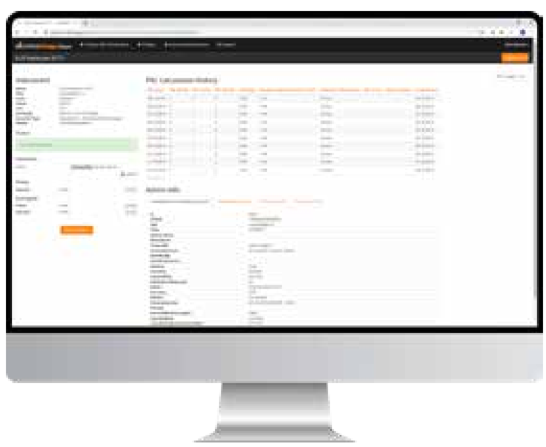
The PRC model was developed by specialists of UnRiskOmega with backgrounds in mathematics, physics and quantitative finance. The model is already used by multiple private, retail and universal banks.

The PRC solution is available as an on-premise and as a SaaS solution. The PRC values can be easily integrated in third-party systems using various interfaces (API, File) or downloaded manually via the PRC management studio. Many small and medium-sized financial service providers prefer the SaaS solution as it means reduced expenses for infrastructure, purchase and management of reference and market data (data management). It is an attractive alternative to the on-premise solution.

An overview of the main functions

Quantitative model

Designed by experts, the PRC model takes the market, credit and liquidity risks of the financial product into account. Owing to the purely quantitative approach, few market data is needed. This means that the PRC model can be offered at the most favourable prices.

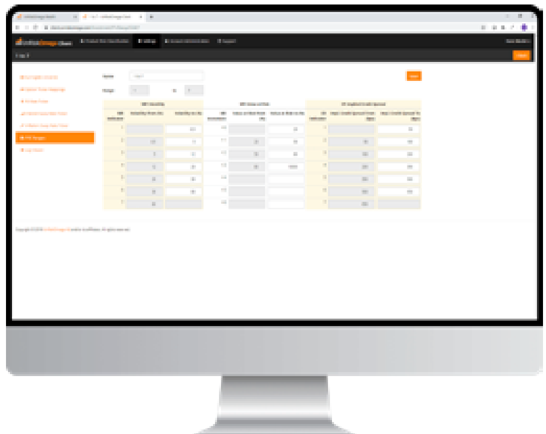


Product portfolio

As we collaborate with market data providers, the SaaS solution offers a comprehensive universe of financial products.

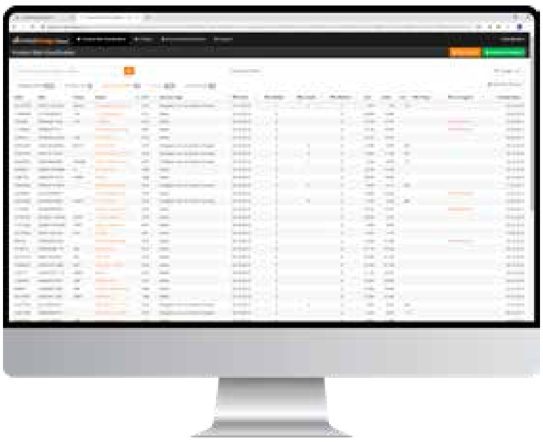
Individuality

Individualizable PRC models such as for instance 1-5 or 1-7, as well as the opportunity to adjust the bandwidth of specific risk factors or aggregation logic of the whole PRC.



Failover Logic

Approximate solutions for financial products with insufficient market data or substitution of missing reference and market data with index products.



Time to Market

Simple and quick integration of the data into existing system environments thanks to the availability of various interfaces.

Technology

Daily calculations of the PRC for a comprehensive universe of financial products are available through API, file feeds or the PRC customer portal.

Convincing advantages

- ✓ Individualizable and pragmatic solution as a building block to fulfil the regulatory requirements to provide transparent information to the customers.
- ✓ Purely quantitative approach based on historical market values. This guarantees a broad product coverage across all investment categories.
- ✓ Simple and quick integration into existing internal systems of the financial service provider using API or File interfaces.
- ✓ No need to purchase cost-intensive internal resources to operate the solution thanks to the comprehensive nature of the SaaS model.

Are you interested in further information?

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