

Derivative Structuring

EUROPE-BASED INVESTMENT BANK



Client requirement

A large European investment bank's client solutions group – providing hedging solutions to leading global corporations using their derivative products – was looking for offshore support in the following areas:

- » implementing derivative pricing models and optimal capital structure analysis using the Monte Carlo simulation framework to offer bespoke hedging solutions
- » simulating interest rates, FX rates, and commodity prices to arrive at expected cash flows for derivatives (IRS, CCS, Caps, Floors, FX Forwards, Commodity Forwards, etc.) and synthetic positions
- » providing additional bandwidth to accommodate increasing demand from clients and scaling up solution potential using sophisticated quantitative modeling

How we solved the problem?

- » Assigned a team of 4 math modellers and 2 technology resources
- » Built a Monte Carlo simulation framework for the derivative pricing models
- » Developed, tested and implemented the framework
- » Provided necessary training to the bank's users

How we benefited the client?

- » Helped the bank increase annual bespoke hedging pitches to 150 in 2015 from 30 in 2013
- » Helped the bank add interest rate, forex and commodity hedging to its suite of services by providing technical assistance
- » Enabled new users to operate with minimal training given scalable framework
- » Provided necessary flexibility to the bank's resourcing strategy

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