

ttm zero

CASE STUDY
NDF Curves in Exotic Currency Pairs



PART OF UNITED FINTECH

Introduction

In the rapidly evolving financial services sector, TTMzero, part of United Fintech, stands at the forefront of RegTech and Capital Markets Tech innovation.

Specialising in Mark-to-Model valuations of various financial instruments, including OTC derivatives and hard-to-value assets, TTMzero has emerged as a trusted independent pricing agent.

A top-tier global custodian with operations in Switzerland and Asia, renowned for its services and products for independent asset managers, multi family offices and fund companies turned to TTMzero to help them solve the challenge of providing reliable curves for Non-Deliverable Forwards (NDF) in exotic currency pairs.

Traditional market vendors struggle to provide dependable prices for such instruments, presenting a significant challenge for accurate valuation of the portfolio.

Client information

Top-tier global custodian with operations in Switzerland and Asia

Engaged in emerging markets financial instruments

Oversees several customer portfolios comprising numerous instruments which are hard to value

Need for NDF curves in exotic currency pairs

Challenge

The global custodian faced the obligation of reporting the value of the portfolios it is holding on behalf of the asset managers that are its customers. The reporting requires valuations on single instrument level on an ongoing basis.

However, the lack of dependable price sources for OTC derivatives in exotic currencies poses an obstacle to evaluate the portfolios positions. Even industry giants frequently overlook these specialised currencies, leaving the custodian and the asset managers in search of an independent pricing agent capable of addressing this gap.

Realisation via proof of concept

Recognising the urgency of the custodian's situation, TTMzero initiated a Proof of Concept (PoC) to demonstrate the accuracy of its NDF curves in exotic currencies.

During a span of two weeks, TTMzero delivered daily result files with NDF points for various tenors from 1 month to 12 months for a number of exotic currency pairs. This was accompanied by daily conversations between TTMzero's Quants and the custodian's team which facilitated the transparent assessment of the results.

The outcome proved highly successful and prompted the custodian to engage TTMzero for the computation of theoretical values for Non-Deliverable Forwards across a spectrum of exotic currencies.

Conclusion

Through the execution of the Proof of Concept, TTMzero effectively addressed the custodian's need for independent valuations tailored to the challenges of Emerging Markets.

The custodian's confidence in TTMzero's capabilities was affirmed, leading to the commissioning of the NDF curves in exotic currencies, with the universe of currencies constantly being extended.

This collaboration not only facilitated compliance with regulatory mandates but also strengthened the custodian's strategic positioning within the competitive landscape of Emerging Markets investment.

As the partnership evolves, TTMzero remains committed to delivering independent valuations, further solidifying its reputation as a trusted partner in the ever-evolving realm of financial services.