

markit[®]

Accounting CVA



International accounting standard IFRS 13 requires the reporting of credit value adjustment (CVA) and debit value adjustment (DVA) when determining the fair value of OTC derivatives.

Regulators and auditors are now increasing scrutiny of the accuracy and robustness of CVA and DVA calculation assumptions, methodologies and input market data. Simplified approaches to CVA calculation using spreadsheets and non-market implied data may not be sufficient to meet IFRS 13 standards.

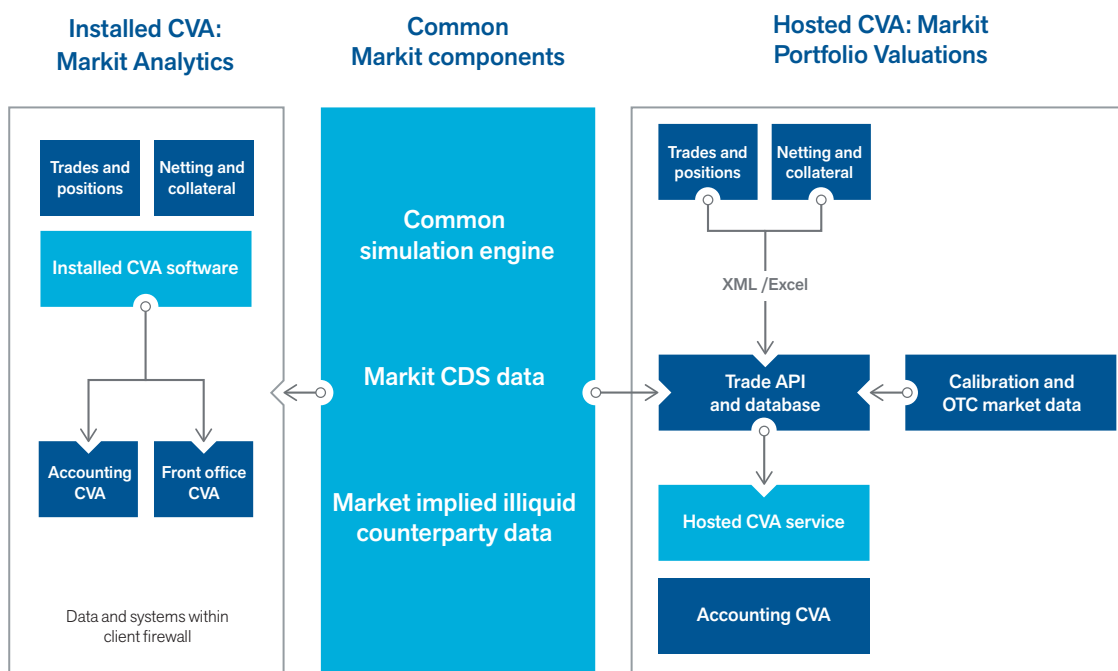
Auditors are now pushing for the adoption of market-based pricing and simulation approaches to address IFRS 13 requirements.



Markit provides a CVA solution that combines our extensive, independent CDS pricing data and risk simulation engine to help the financial industry comply with disclosure requirements and accounting standards.

We use simulation-based approaches and market-implied default probabilities from counterparty CDS curves to align with industry best practice recommendations.

The service is available on an installed or hosted basis and offers flexibility and scalability. It encompasses data sourcing, cleaning and storage as well as the estimation of market implied credit curves for illiquid counterparties, an analytics library of calibrated pricing models and a risk simulation engine.

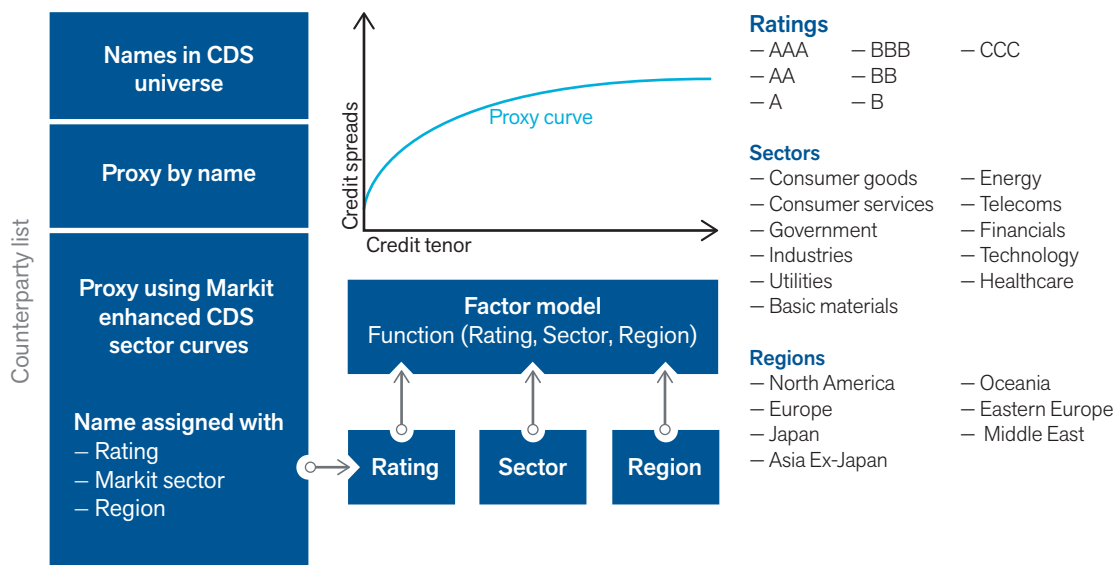


Markit offers independent and transparent CDS data to fuel CVA calculations.

Our multi-sourced CDS pricing service supports CVA calculations for liquid counterparties. We provide end of day CDS pricing data for more than 2,800 CDS entity tiers, driven by books of record data and live dealer quotes from all of the major global institutions.

Historical data dating back to 2001 at the tier, maturity, currency and restructuring clause levels is available, as well as value added CDS services, such as liquidity reports.

When counterparty curves are not readily available or are illiquid, we use a market-implied framework. Enhanced CDS sector curves are generated from the full universe of our CDS pricing data and serve as a market-implied proxy for the calculations.



Calculations are run on our risk simulation engine, with the option of either a hosted service or installed software, providing customers the flexibility to select the solution that fits their needs.

**Hosted CVA service:
Markit Portfolio Valuations**

We offer CVA calculations via our hosted Portfolio Valuations service, which provides cross-asset, mark-to-market valuations for derivatives, cash and complex securities across thousands of funds globally.

This helps to ensure that the market data, pricing and calibration methodologies used for valuations and CVA calculations are consistent. In addition, models are calibrated using our Totem XVA service, which is fueled by contributed prices from leading active market participants.

New customers can be onboarded and start receiving production-quality reports quickly. Existing customers can quickly obtain CVA reports by supplementing trade uploads with counterparty information.

Our valuations processes have completed external SSAE16 Type II and ISAE audits.

**Installed CVA software:
Markit Analytics**

Our enterprise risk management software delivers extensive counterparty credit risk functionality across accounting, regulatory and front office CVA, including inception pricing, portfolio sensitivity, hedging, and stress testing.

By deploying our software over a server grid, the platform can scale according to the computational demands of customers. We facilitate realtime and incremental credit pricing capabilities using full Monte Carlo simulations. Implementation of our installed software also offers customers the ability to use our CDS data in other areas, including front office trading functions.

The flexibility and open structure of the platform's underlying architecture allows customers to easily configure or integrate new models and risk factor simulations. An interactive interface allows for reports to run on an ad hoc and scheduled batch basis, and enables the slicing and dicing of results.

| Feature | Hosted CVA (Markit Portfolio Valuations) | Installed CVA (Markit Analytics) |
|---------------------------------------|---|-------------------------------------|
| Extensive credit data | ✓ | ✓ |
| Advanced simulation engine | ✓ | ✓ |
| Lower implementation cost | ✓ | |
| Multiple use cases (front office CVA) | | ✓ |
| Quick onboarding | ✓ | |
| Full flexibility | | ✓ |



2,800+ CDS entity tiers

300,000+ OTC and cash positions valued

400+ pricing models

About Markit

Markit is a leading global provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency.

Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT.

For more information, please see markit.com

More Information

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