

Markit Portfolio Valuations

Northern Trust

The challenge

The requirement for independent valuations continues to grow on a global scale and is becoming important to more and more clients, investors, regulators and auditors. Being able to independently verify vanilla and complex derivatives provides Northern Trust's customers an unbiased review as part of their internal risk analysis and to help satisfy audit requirements. The provision of independent valuations is a key part of the firm's service offering, and a significant infrastructure has been built to support high volumes economically.

In selecting outsourced valuation providers, Northern Trust requires that they can be easily integrated into its core platform. It also sought independent valuation services capable, and with a demonstrated track record, of responding to changes in the industry and defining best practices around valuation.

Selection process

During the evaluation process, Northern Trust performed extensive quality checking to ensure the models built and market data used by Markit Portfolio Valuations meet industry standards. The firm analysed the assumptions factored into the models and evaluated the output against other valuation sources. It also performed due diligence to familiarise itself with the price verification, threshold exception monitoring and general data quality checks that are part of Markit's valuation service. In addition, Northern Trust assessed how well-aligned Markit's customer relationship management is to its internal process.

Based on Markit Portfolio Valuations' effectiveness, cost and intuitiveness, as well as Markit's strong reputation in valuations, Northern Trust decided to select the service to support its independent valuations requirements.

Outsourced valuations

Northern Trust has been using Markit as an outsourced OTC derivative valuations provider for over five years, seamlessly integrating Markit's valuations into Northern Trust's core asset servicing platform. Within asset servicing, the firm focuses on derivative valuations and analytics, which span custody, middle office outsourcing and collateral outsourcing, among other areas.

Product used in the solution

Markit Portfolio Valuations

The solution

Markit Portfolio Valuations serves as an important source for Northern Trust's NAV and collateral calculations across a broad range of OTC derivatives. Specific products include IRS, CDS, swaptions, total return swaps, RPI inflation swaps and a variety of other credit and cash products. A large majority of the calculations are produced on a same-day basis, shortly after market close. Markit's valuation accuracy, as well as a high level of support, has resulted in a low level of price challenges and reduced operational burden.

Portfolio Valuations' frontend allows Northern Trust to view valuation inputs on demand, without having to make a request through a support analyst. In addition, this platform permits the firm to update trade terms and invoke historical valuations, allowing its pricing team to retrieve and analyse valuation results quickly. This also allows for faster and more efficient turnaround during price challenges.

Further, the ability to receive a Markit valuation on any cleared trade, particularly for intraday funds, solves timing issues and provides clients comfort as a cleared price is not yet analogous to an exchange traded price.

About Northern Trust

Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of investment management, asset and fund administration, banking solutions and fiduciary services for corporations, institutions and affluent individuals worldwide. Northern Trust, a financial holding company based in Chicago, has offices in 18 US states and 17 international locations in North America, Europe, the Middle East and the Asia Pacific region. As of June 30, 2013, Northern Trust had assets under custody of US\$5 trillion, and assets under investment management of US\$803 billion. For more than 120 years, Northern Trust has earned distinction as an industry leader in combining exceptional service and expertise with innovative products and technology.

More information

For more information on the products and services from Markit, please contact us at sales@markit.com or call one of our sales offices:

London +44 20 7260 2000

New York +1 212 931 4900

Amsterdam +31 20 50 25 800

Boulder +1 303 417 9999

Dallas +1 972 560 4420

Frankfurt +49 69 299 868 100

Features

Fewer price challenges resulting from valuation accuracy, with speedy resolution given the availability and responsiveness of support analysts

Improved operational efficiency through a single delivery channel for independent valuations across derivative and cash products, available on a same-day basis

Immediate and detailed transparency of trade details and underlying market data available through a web frontend

Future-proof valuations solution with the flexibility to meet evolving requirements from central clearing and from complex asset valuations, including private equity