

Case study

LeasePlan: How to drive proactivity through an automated trade workflow.

LeasePlan

LeasePlan is one of the world's leading Car-as-a-Service companies, with a balance sheet of circa €27bn and 1.8 million vehicles under management in over 30 countries. The company has a centralized treasury function based in Dublin.

LeasePlan's Treasury acts as the in-house bank for the Group's worldwide subsidiaries and plays a key role in funding the balance sheet in a diversified manner. LeasePlan acts as an end user of derivatives to mitigate the risks and exposures arising from these centralized activities.

Using a strong foundation to become proactive to future market demands

LeasePlan saw an opportunity to enhance an already strong technological foundation, namely the FIS Quantum Treasury Management System (TMS). Utilising Bloomberg MARS, LeasePlan could take advantage of Bloomberg's valuation tool to allow for more proactive and comprehensive management of complex valuation and hedge accounting requirements.

"As the demands of accounting standards and regulatory reporting have grown in recent years, we found that we were having to react a lot and make additional adjustments to bring the fair value of our derivatives book in line with market," notes O'Brien.

"We wanted to place ourselves at the forefront of market standards, so we looked to Bloomberg which is constantly being updated to reflect changes to standards. We were already working with Bloomberg on the front office side, so they were a natural partner to provide us with valuations on our derivatives book."

The goal of the project was that Quantum, our TMS, would deliver on a daily basis, an upload of new deals for the day or any changes to deals that occurred during the day. This would then be picked up by Bloomberg via an FTP site and be uploaded into Bloomberg's Multi-Asset Risk System (MARS). Bloomberg would then, later on the same day, run a valuation report for the full derivative book and send this back via FTP to Quantum.

"The beauty of this is that when it hits Quantum, nothing gets published on the general ledger, it sits in the TMS," says O'Brien. "Each given deal will have a valuation sitting there for any given day, and it is only when you run the mark-to-market custom report at the end of the month that it will actually post over the general ledger. The control is still with the individual, but ultimately, for management purposes, if you want to see what the valuation on your book is at any point in time, you do have that facility. It works very well for us in that regard."

LeasePlan has important regulatory reporting obligations with increasing levels of granularity now being required of all regulated institutions. The new solution works well to efficiently turn the required information around and deliver it in a timely manner.

Harnessing efficiency from an integrated solution

LeasePlan's Quantum TMS is fully integrated – including the general ledger – but at the same time, some of the pricing strategies used by banks can be quite convoluted, making it hard to reflect in the company's valuation model.

"Using MARS, we realised there was an opportunity to improve the process of sourcing all of the different curves and, even more importantly, to blend them correctly," says O'Brien.

"Now that we are with Bloomberg, potentially for any given deal we can have four to six curves there. We are very much at the leading edge in terms of valuing our deals."

The fact that the two systems can talk to each other in an automated manner is a big step forward for LeasePlan. Previously a lot of these tasks were carried out manually via spreadsheets, which was time consuming and had the potential for errors. This is removed thanks to the integration of MARS with Quantum for valuation and risk simulation, and at month-end the exporting of valuations back to the TMS for accounting.

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Modernizing additional workflows

LeasePlan now uses Bloomberg's MARS for its derivatives book. By extension, it includes within that, any bonds that are in a fair-value hedge. The company shares the information for new and updated deals, which is a logical step as treasury needs to reflect any changes it has made in the TMS in the Bloomberg system as well.

"We have already proved that this works, and have rolled it out to various areas of the treasury function," says O'Brien. "I would recommend this solution to other FIS Quantum clients where valuations form a material part of the P&L."

About Bloomberg

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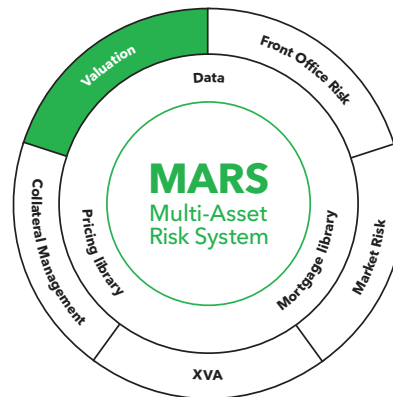
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About FIS Quantum

Building on 25 years as a market leading Treasury Management System, FIS Quantum is now a fully web deployed, HTML5 compliant, browser based system. Quantum is the tool of choice for a corporate treasurer, providing full front to back capability for FX, MM, Securities, IR derivatives, Equities, and Commodities as well as fully integrated cash management, in house bank, payments, multilateral netting, accounting, hedge accounting, and sophisticated reporting tools. Quantum also excels at flexible integration, providing out of the box, configurable interfaces to a range of external providers, as well as industry standard message queue and web API technologies, and a comprehensive external API for programmatic access.

MARS Valuations.



A comprehensive pricing library

In evolving markets with increasing regulatory oversight, both buy-side and sell-side firms need a powerful solution to value their portfolios and understand their key risks. Using comprehensive pricing library and market-leading Bloomberg data, MARS Valuations solution delivers credible and comprehensive end-of-day market values and Greeks for your entire portfolio for enterprise use with a powerful, versatile and highly intuitive experience.

Broad coverage, flexible pricing

Bloomberg's MARS function has comprehensive asset class coverage for valuations and encompasses a broad spectrum of financial instruments. MARS provides you full transparency into, and flexibility with, market data and pricing models.

The right model for your needs

Bloomberg MARS Valuations is built on a comprehensive quantitative library that offers a range of pricing models. Whether you are pricing typical treasury contracts such as FX forwards & options, vanilla & cross currency interest rate swaps or more complex products such as real rate swaps, FX baskets or a long dated FX-IR hybrid, the pricing library provides the right modeling technique to capture the market dynamics. The list of models includes but is not limited to local volatility, stochastic volatility (such as Heston Model), stochastic local volatility, Hull-White one-two-factor, shifted Libor market model, hybrid Hull-White one-factor and local volatility.

Market-leading data

As industries become more aware of the hidden complexities within financial products, high-quality underlying market data is playing an ever-more-prominent role. Bloomberg employs innovative data-cleaning techniques and algorithms to generate high-quality data. MARS Valuations enables you to feed high-quality Bloomberg data and snapshot-based golden data into its state-of-the-art pricing library to derive valuations for enterprise use.

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