



Frame Financial Systems Uses F3 Platform to Deliver Powerful Analytics Solution

Highlights

Client

Frame Financial Systems

Business objectives

Offer Kensington Capital advisory clients (and other like-minded advisory firms) access to fast and sophisticated pricing analytics

Requirements

Valuation tool providing powerful analytics and flexible architecture for ease of custom solution development

FINCAD solution

F3 Platform

FINCAD features

- Flexible framework allowing Frame Financial flexibility in designing their custom solution
- Access to F3 Platform's patented Universal Algorithmic Differentiation TM (UAD) approach for generating fast, accurate risk sensitivities
- Advanced valuation tools and risk reporting for standard to exotic instruments
- Ability to put into place custom workflows

Success factors

- Successful development and delivery of Frame Financial Systems solution
- Ability to rapidly adapt to changing client, regulatory and market demands
- Ability to price and analyze diverse portfolios together within a single platform
- Improved accuracy for pricing of multiple options simultaneously

The Challenge

Frame Financial Systems is a Fintech business owned by Kensington Capital Advisors, LLC, an SEC and MSRB registered Municipal Advisor and a CFTC registered Commodity Trading Advisor.

Kensington is focused on derivative applications and structured finance. In its practice, the firm requires advanced derivative modeling capabilities to assist clients in the structuring, negotiation and execution of hedging activities.

Kensington began Frame Financial Systems to provide its own firm and other advisory firms access to analytics, since this is a task that many prefer not to handle internally. Prior to creating the Frame solution, Kensington required multiple vendor systems to support its clients' pricing requirements. Under this approach, tasks such as adding product valuations across asset classes were complicated and meant toggling back and forth between different screens. Furthermore, utilizing an array of systems, some of which lacked flexibility, for pricing derivatives was preventing Kensington from putting into place a custom workflow that met its specific needs.

FINCAD's Solution

Following a thorough vendor evaluation, Kensington selected FINCAD's F3 Platform to power its Frame Financial analytics offering.

F3 is a robust and transparent valuation and risk analytics solution, engineered to integrate with financial institutions' existing systems. It can be deployed in a firm's own IT infrastructure and is able to interface with high-level APIs for customized solution development.

When designing the Frame analytics offering, Kensington elected to create a cloud-based solution utilizing a modern user interface and a PostgreSQL database to house market, client and transaction data. From there, the Frame system was deployed using Microsoft's Azure Remote Application. This allowed for upgrade and installation ease, while giving Kensington staff the ability to access the system functionality (including the F3 Platform pricing engine) from any internet connected device anytime, anywhere. The F3 Platform integrated easily with the Microsoft Azure Virtual Server and Remote Application Framework.

"F3's flexible framework has allowed us to design our offering how we wanted—that is we have one cloud environment where the user interface resides and another cloud where the platform and analytics database sits. These two environments are then able to connect and communicate seamlessly," said Jim Moore, President of Frame Financial Systems.

About FINCAD

An established leader with more than 20 years of experience, FINCAD provides innovative and trusted financial analytics software to organizations worldwide. With deep market understanding, a client-centered business approach, and unmatched quantitative and software engineering expertise, FINCAD is uniquely positioned to lead the market in enterprise valuation and risk technology. FINCAD serves more than 1,000 organizations across the globe. To learn more about FINCAD's award-winning solutions, please visit fincad.com.

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Leveraging F3, Frame Financial provides Kensington with a cloud based gateway for valuation tools and risk reporting for standard to exotic instruments and portfolios. In fact, one key reason why Kensington decided to move to the Frame solution was the ability to access the F3 Platform's patented Universal Algorithmic Differentiation TM (UAD) approach for generating fast, accurate risk sensitivities for any portfolio of instruments.

The Results

Utilizing the Frame Financial solution, powered by FINCAD's F3, Kensington is now able to provide robust quantitative risk analysis, including fast and sophisticated analytical support to its clients who are evaluating new hedging contracts or monitoring the effectiveness of existing agreements.

"One area we are really benefitting from is the flexibility that exists between Frame and F3. This is helping us quickly adapt when we need to, for example, add the ability to support a new asset class or get access to a new valuation component in F3 that we may not have previously needed. We can accomplish such tasks quickly without sacrificing our specific workflow requirements," said Doug Campbell, Kensington Capital Advisors.

Prior to adopting the Frame Financial system, Kensington had been challenged by performing valuations on client portfolios that consisted of assets and hedges. Specifically, these items had to be passed through their former systems individually, rather than as one unified portfolio. But now, the firm is able to price and analyze portfolios with assets and hedges together in a single platform, where it can control the curves it is valuing against. Consolidated risk reports can then be generated.

Utilizing the Frame offering has also helped Kensington improve accuracy for strikes, or the price at which derivatives contracts can be exercised. Many of the firm's clients have interest rate options within a single option that have multiple strikes. Kensington's previous system could not calibrate the appropriate volatility assumption in this situation because it did not know how to call the volatility cube around changes in strike. Frame has helped eliminate this problem, as the system is able to determine the appropriate volatility for a given strike's time period. As a result, Kensington can now value multiple options at once –and value them more precisely.

"A key differentiator of FINCAD is the excellence of their support team. These individuals are tremendously dedicated to helping clients in any way they can, and have been highly responsive to our needs, including getting us prompt answers to any questions. This level of service has played a big role in getting our offering setup quickly and accurately," said Jim.

Looking forward, Kensington Capital plans to utilize the flexible Frame Financial system to meet the continual changes happening in the OTC derivatives marketplace (i.e. market and regulatory), without needing to redesign new versions of their software. Furthermore, Frame's technology setup is such that it allows Kensington to easily bolt on functionality as its clients' needs change. This approach will help the advisory firm continue to respond to client demands in a rapid manner.