



Strategy and Product Offering

Focus areas of PwC's Financial Markets & Risk

The Financial Markets & Risk team focusses on changes in business strategy and models stemming from new regulations and market opportunities in the financial services industry. Our international network and experience coupled with local presence enables us to understand clients' business and operating models and deliver tailor-made solutions and services. We have a deep insight into and experience with the following topics:



Assisting asset and wealth management in turbulent markets with increasing regulatory demands and focus on reducing costs

Investors are increasingly focussing on non-financial investment aspects such as sustainability while increasing competition has lowered cost and necessitated efficiency in the product offering, operation and oversight functions.

AWM Manufacturers (managers) or distributors (funds) have a range of complex regulatory obligations aimed at maintaining stable markets, increase transparency and protecting investors. Quantifying and disclosing financial and non-financial risk is difficult and even more difficult to mitigate but both are required for AMW firms.

Our three 'thoughts for the future':

- Plan for scale - Your strategy must facilitate new opportunities while staying diligent
- Compliance is key - Develop prudent valuation models and investor documentation
- Act responsible - Embed sustainable finance regulation and expectations in your portfolio



Assisting banks in addressing return on capital issues and optimisation potential

Stringent capital and enhanced reporting requirements along with risk management considerations are challenges to growth in banking and capital markets why sophisticated strategies and solutions will be required to gain a competitive edge.

We have conducted quantitative studies on the non performing exposure (NPE) regulation where we found that the majority of Danish institutions will be affected, either on customer level and/or on portfolio level - thereby seeing NPE percentage shifts and increased requirements.

Our three 'thoughts for the future':

- Prepare customer classification and a potential reduction strategy requirements for NPE
- Develop a investment QIS paper or ensure that your current paper is updated
- Look into your cost composition and ensure that both capital components and operational costs includes pricing



Embracing uncertainty through quantitative and qualitative rating models

A balanced risk management framework is the base for informed business decisions and controlled credit quality.

We have developed a simple methodology (including an underlying model) that can rapidly be included in the workflow and follows the process: 1. Identify exposure areas, 2. Identify financial and non-financial KPIs, 3. Set targets, and 4. Identify mitigating actions to control 'net exposure'.

Our three 'thoughts for the future':

- Develop a credit model tool (focussed on PD and ESG) which informs both procurement decisions and customer interaction
- Define your risk appetite, ensure board approval and clear operational policies
- Expand your risk model into other risk categories (operational and market risk) and look into risk mitigating actions such as guarantees and diversification

Credentials of PwC's Financial Markets & Risk

The Financial Markets & Risk team is involved in several regulatory implementation projects and numerous operating model projects, including shifts in investment strategy towards alternatives as well as sell & buy-side advisory services related to M&A.

Our core competencies

Regulatory quant	Credit risk models (SA, IRB, EBA, IFRS 9) Market risk models (CVA/FRTB, VaR)
Business & economics	(Quantitative) trading and investment strategies, risk and return decomposition, financial risk management, financial due diligence.
Functional design	Front, middle and back-office transformations, including supporting functions, e.g. Treasury, risk and IT.
Process optimisation	End-to-end product lifecycle, preventative and detective controls, data model and management

Example projects

Banks

M&A transaction support

Capital analysis of and support to a potential transaction where we supported the buyer in balance sheet evaluation and price/value valuation.

Product analysis

Structuring a bank product portfolio in relation to new regulation ensuring a lean portfolio with overview of effects from coming regulation.

MiFID II regulatory programme

Programme management office on all MiFID II workstreams and

heading several capital markets streams (transparency, commodity, transaction reporting).

Private equity

Valuation of direct investments
Cost of capital calculations, DCF modelling and applying multiples for benchmark analysis.

Pension funds

Investment analysis and market structure

Analysis of the investment portfolio, supporting processes and data.

Alternative investment valuation

Conducted valuation support in the alternative investment area and

suggested improvements that enabled more lean processes, better data and system support.

Other

Infrastructure and utilities
Analysis of financial exposures and debt structures for the purpose of developing a risk-mitigating strategy and updating the hedging instruments.

Infrastructure

Developing a supplier credit risk management tool - enabling rapid decision making focussed on purchase decisions and portfolio overview.



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