



THE WINNING TEAM FROM LEFT TO RIGHT:

Daniel Tschopp: VALUATIONS MANAGER

Vanita Aggarwal: DIRECTOR TREASURY RISK

George Partida: TREASURY BUSINESS SOLUTIONS MANAGER

Arthur Han: MANAGER VALUATIONS ANALYTICS

SUCCESS STORY

Toyota achieves valuations best practice

SKYSPARC WORKS IN PARTNERSHIP TO DELIVER AN AWARD-WINNING VALUATIONS SOLUTION



INDUSTRY: Financial services

SOLUTIONS: SkySparc OmniFi and Consulting

ABOUT TOYOTA

Toyota Financial Services (TFS) is the US arm of the world-wide financial services operations for Toyota Financial Services Corporation, which is a wholly-owned subsidiary of Toyota Motor Corporation in Japan. TFS has regional offices, customer service centers, dealer sales and service offices throughout the United States, and an affiliate financial services company in Puerto Rico.

TFS provides consumer, dealer and commercial financing as well as insurance services for Toyota vehicles and has assets and liabilities of \$100 billion.

CHALLENGE

A key role for Toyota Financial Services is to raise funding for its activities, and to achieve this cost-effectively, TFS wanted to make use of more structured and complex financing options.

At the same time, valuation practices were evolving: FASB accounting rules had recently changed to include the Fed Funds Effective Swap Rate (OIS) as a benchmark interest rate for hedge accounting. TFS wanted to be ready to adapt: "We always aim to stay ahead of the best-

practice curve," says Vanita Aggarwal, TFS' Director, Treasury Risk.

To meet these requirements, TFS decided to add specialized software, Numerix Portfolio, for its valuation activity. This would value all trades, including the most complex structured transactions such as step-up callables and zero-coupon callables, easily and efficiently.

But TFS faced a significant data exchange challenge in extracting and re-formatting the data from its core treasury management system, Wallstreet Suite

(WSS) to Numerix Portfolio. George Partida, Manager Treasury Business Solutions, explains: "We have some 1400 trades in our treasury management system. New trades are booked each day, while existing trades may change, for example as a result of calls or novations. Extracting the data manually each day would have been extremely time-consuming – and the risk level of a manual process was simply unacceptable. This was potentially a show stopper for us. We knew we needed to find an 'uncharted territory' solution."

QUICK FACTS

- Toyota wanted to be ahead of the curve on valuation best practice.
- Using OmniFi enabled Toyota to get the 'uncharted territory' solution required to enable the new valuations process.
- The project has won Treasury Today's **Best Risk Management Solution** award for Toyota.

SOLUTION

TFS was already using OmniFi to automate a range of data management processes and had found OmniFi to be a very flexible, robust and efficient enabler.

But the current task was extremely complex since every change across the portfolio needed to be reliably captured. A single transaction may have as many as 100 – 150 variables and relevant data needs to be extracted from multiple areas within its treasury management system. Once extracted, the data has to be transformed and re-formatted to fit the very different formats required by the Numerix software.

"This solution has enabled

TFS to get the full benefits of evolving valuation practices: increased funding efficiency, proactive risk management and operational/regulatory best practice."

Vanita Aggarwal,
Director, Treasury Risk,
Toyota Financial Services

SkySparc's consultants brought a deep knowledge of Wallstreet Suite, as well as financial expertise to this complex task. Using the interface builder within OmniFi, they carefully mapped all the variables to the Numerix Portfolio formats. The interface builder makes it possible to build and test, change and test again, enabling a very flexible development environment that could accommodate the many nuances and variables necessary in such a complex task.

George Partida says good cooperation and flexibility between the TFS team, SkySparc and Numerix was critical to the success of the project. "Everyone recognised the need to work in parallel and deal with issues as they arose. SkySparc's consultants demonstrated a level of expertise that is rare to find; they really understood the business intent and worked flexibly and intelligently to meet that requirement. We were very positively surprised by how smoothly and efficiently this difficult project was delivered."

RESULTS

TFS now has a fully-automated, best practice process for its daily valuations. The OmniFi interface retrieves all changes and new transactions from its treasury management system daily and converts and delivers them flawlessly to the Numerix Portfolio system. Automating the process is saving TFS significant

time over manual processing – at least half a full-time staff member, George Partida estimates. But more importantly, the process is transparent, auditable and risk-controlled, free of the operational risk associated with manual processes. And, because the OmniFi interface builder is so easy to use, TFS team members who are familiar with OmniFi will be able to make adjustments to the interface when needed, without requiring programmers' time.

The OmniFi interface is also enabling TFS to get the planned benefits from the more sophisticated valuation software. Once fully implemented, TFS can make use of more structured and complex financing options, increasing funding efficiency and best practice and positively impacting TFS' bottom line.

Being ready to comply with current accounting rules was also a key driver of the project. TFS will be one of the first treasuries to use OIS as the standard discount curve for valuation. "This solution has enabled TFS to get the full benefits of evolving valuation practices: increased funding efficiency, proactive risk management and operational/regulatory best practice," comments Vanita Aggarwal.

ABOUT SKYSPARC

SkySparc is the leading independent provider of solutions for Wallstreet Suite users. Trusted by central banks, Fortune 100 corporate treasuries and asset managers, SkySparc offers complementary software, outsourced support and a wide range of financial and technical consulting services. Outsourced support enables our customers to focus on their core business and benefit from attentive service from our financial and technical experts. SkySparc OmniFi delivers sustainable business value to customer through advanced management reporting, process automation, system integration and fully automated testing. SkySparc is the winner of *Central Banking Publications'* 2015 Consultancy and Advisory Award and the 2014 Adam Smith Award for Best Risk Management Solution, awarded by *Treasury Today*.



EUROPE

Birger Jarlsgatan 64A
114 29 Stockholm
Sweden
TEL +46 8 456 4000

AMERICAS

3 Columbus Circle
New York, NY 10019
USA
TEL +1 646 502 5281

EXPERT CENTER

EUROPE +46 8 456 4010
AMERICAS +1 646 502 5279
EMAIL expertcenter@skysparc.com

info@skysparc.com
www.skysparc.com