At A Glance

European Finance, Litigation, and Dispute Resolution Advisory Services

Overview

The financial landscape and the regulations that govern it are continuously changing. Initiatives by the European Union and individual countries to change the way they monitor and regulate financial markets, cross-border transactions, and institutions are generating new and challenging demands for market participants. In such conditions, a deep understanding of financial markets and the economics underlying financial products is vital to address regulators' concerns effectively, to assist with redrafting existing regulations, and to manage and anticipate regulations and market challenges.

Our Practice

NERA is widely recognised as a leading firm in financial economics, securities, derivatives, valuation, and risk management. Our European Finance, Litigation, and Dispute Resolution Group is based in London and includes leading experts from around the world. NERA economists bring to bear a thorough understanding of financial markets and the regulatory institutions that govern them. The insights we apply in our roles as consultants and advisors build on experience gained as officers at major global institutions, financial regulators, faculty at top-tier universities, and industry arbitrators.

NERA economists provide advisory services to clients related to securities, derivatives, finance, valuation, and risk management. We work with regulators, banks, insurers, trade associations, corporations, building societies, and policymakers within the financial services sector. Our team combines rigorous economic thinking and quantitative analysis with practical experience. Our finance experts specialise in the design and evaluation of financial regulation; the application of techniques to measure and manage risks; and the development of financial sector policy. Our experience includes areas such as investment and savings products, insurance, mortgages, brokerage and trading (including clearing and settlement), consumer credit, debt management, and export credit.

Areas of Focus

Valuation and Pricing of Assets, Securities, Derivatives, and Complex Financial Instruments

Valuation is often a key component of securities-related disputes, and a thorough understanding of the economics of valuation is essential to address such questions. Our experience in a variety of asset classes—including equity, fixed income, credit, foreign exchange, and commodities—whether vanilla or highly complex structured finance securities, allows us to quickly assess market specifics, identify important and potentially unique valuation characteristics of the asset, assess the impact of market economics on market value, and use defensible, industry standard methods to derive a fair valuation.

Measuring and Managing Risk

NERA is recognised as a leader in the measurement and management of the full range of financial risks faced by organisations, including market risk, credit risk, liquidity risk, and operational risk. For many companies, although some risk management tools and methods are well known, poor model design and choices can—and have—resulted in major, unexpected, and potentially preventable losses. For non-financial companies whose assets are primarily intangible, measuring the value and the associated risks of

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these assets requires a different approach. We work with non-financial companies to better measure and manage cash-flow-at-risk. NERA's risk experts also play a vital role in keeping clients informed of new developments. Our experts have assisted various industry bodies in developing risk management principles and evaluating best practices.

Evaluating the Impact of Financial Regulation

Financial market participants have recently witnessed the destructive potential of systemic risk—now they must prepare for and respond to the regulatory response. NERA's risk management experts provide guidance to financial firms in order to ensure that the challenges associated with regulatory oversight are successfully met. We work with clients to ensure they are in full compliance with regulatory expectations while simultaneously maximising the usefulness of required processes within the business context. Our global presence and experience ensures familiarity with regulations and the unique challenges and contexts in different jurisdictions.

Evaluating Public Policy in the Financial Sector

NERA economists work with governmental bodies, regulators, international organisations, and private companies to evaluate and design public policy in the financial sector. Our experts use qualitative and quantitative techniques, including survey design and implementation and econometric and statistical analysis, to evaluate the economic effect of policies. We also construct policy recommendations drawing on our wide experience of public policy solutions applied across a range of financial sectors. Sectors we have worked in include public-private financing, export credit guarantees, trading and market abuse, and clearing and settlement.

Other Consulting Services

Our economists also provide clients with advisory services on other topics related to financial markets and the regulations that govern them. Our economists are supported by a talented research staff and a network of distinguished academic affiliates, as well as specialists within NERA's other practice areas.

Representative Examples of Advisory Engagements

Benchmarking Global Operational Risk Management Practices

A NERA team created a global benchmark summary of operational risk management practices and trends for a number of leading global financial institutions. These included their approaches to identifying, measuring, monitoring, and managing operational risks. The results of this study were presented to global regulators, including the Basel Committee's Risk Management Group, and customised benchmarks were prepared for and presented to participating institutions. The results of the study were later updated to include emerging best practices among the top institutions, including the development of internal capital allocation models and risk transfer practices.

Benchmarking Credit Risk Management Practices

NERA was commissioned by an international bank to complete a global industry benchmarking project on the application of credit risk management to hedge fund counterparties by major commercial and investment banking competitors. The bank wanted to identify industry best practices and areas to improve within its own procedures. NERA reviewed resource commitments to credit risk management, the efficiency of different systems, and management reporting arrangements. The project assessed potential future exposure methods with inputs such as confidence limits, stress testing, data series, portfolio vs. sum of trades, and dynamic vs. static calculations.

About NERA

NERA Economic Consulting (**www.nera.com**) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

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