

In its search for low-cost funding, Nissan Finance also issues structured notes that contain embedded derivatives. The company's treasury group then strips the interest rate exposure out of these instruments via hedging derivatives trades. "We're very conservative in terms of financial management," says Okuno.

Orchestra includes a liability management module aimed at providing exactly this type of integrated analytic functionality. This module was developed in conjunction with another Inssinc client, the Ontario Financing Authority (*DE&T*, November 28, 1994).

Nissan Finance's treasury management team initially considered licensing an integrated front-to-back office treasury trading and risk management system some two years ago. But the team deferred such a purchase because it couldn't find a system that provided the range of functionality Nissan Finance required at a price it could justify.

The treasury team decided to revisit the third-party marketplace about eight months ago, says Okuno, since derivatives software vendors had started to develop fully functional PC-based derivatives and risk management systems, often designed for specifically for corporate treasuries.

Shortlist of Three

Nissan treasury staff evaluated various third-party systems, says Okuno, eventually narrowing its list down to three New Jersey-based vendors: Inssinc, Savid International and Multinational Computer Models (MCM). It finally signed up as an Inssinc client at the beginning of this month.

The fact that Inssinc is a Microsoft development partner reassured Nissan Finance's treasury group, says Okuno, since the company is keen to keep abreast of technological enhancements to Windows.

Inssinc introduced a networked Windows 3.1 version of its integrated Orchestra/Futtrak interest rate front and back office systems a year ago, after initially developing Unix-based versions of them. Windows 95 and NT versions were subsequently developed and are in live use at a number of Inssinc client sites, according to Engelhardt.

Barclays Bank licensed the NT version of Orchestra to support its long-dated interest and currency rate swaps books last summer (*DE&T*, June 12, 1995). The bank has linked the system to an earlier, DOS-based version of Inssinc's Futtrak back office system.

Nissan Finance's Los Angeles-based consumer financing arm has final say over the company's funding strategies, says Okuno, while the New York treasury group is responsible for managing liabilities and

recommending alternative funding strategies. The majority of Nissan's assets are car leases and loans. Some of these are securitised and then sold to the investment community in the form of asset-backed securities, according to Okuno.

Inssinc systems will initially be deployed to manage the liability side of the company's balance sheet. But Nissan Finance is considering incorporating the company's assets into the Orchestra system at some point in the future, he adds.

The consumer finance company is currently using Arizona-based Sendero Corporation's asset/liability management system to model and analyse its operations. Okuno sees the possibility of developing links between the Sendero system and Orchestra automate this process to some degree.

RISK MANAGEMENT & INTEGRATION

FIRST UNION DEPLOYS IN-HOUSE SYSTEM FOR BONDS/BOND OPTIONS

U.S. super-regional First Union National Bank of North Carolina's Section 20 securities subsidiary has gone live with a proprietary value-at-risk market and credit risk management system for its fixed income and fixed income derivatives desk. The bank built the new system for two purposes: to provide internal risk management and to comply with the Bank for International Settlements' Tier II capital standards, according to First Union officials.

First Union's new system supports VAR analysis for the entire range of the subsidiary's fixed income portfolios, including government bonds, corporate bonds, municipal bonds, mortgage-backed securities, money market instruments, OTC options on cash bonds and options on fixed income futures.

Russ Hovanec, fixed income manager at First Union, anticipates the unit's use of the VAR system evolving over time to include designing structured fixed income hedging strategies. "The idea was to take all the positions in our Section 20 portfolios and be able to run them through a risk model, producing daily VAR figures in and automated fashion," he says.

The bank brought its new VAR-based risk management system online last year. It is linked to market data sources and stores 180 days worth of market history. The system also includes yield curve generators that drive the VAR calculations using stress-testing and