

Sponsor's Statement

What's Fueling Demand for

Independent evaluations of fixed-income securities have long been a critical input to the portfolio valuation processes of major financial institutions, but they have historically not been well known beyond a small number of groups within an organization. Now, independent evaluations have been thrust into the spotlight as a result of a unique mix of new regulations, market volatility, and the credit crunch.

In recent years, a deluge of new acronyms have taken on almost mythical status in the financial services industry. From MiFID to Reg NMS, IAS 39 and

UCITS III, new regulations, standards and directives have impacted the industry with new compliance processes and procedures to implement and follow.

One recent accounting change stands apart in terms of its impact on the demand for independent evaluations. The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 157, or FAS 157, has resulted in firms reviewing their existing valuation policies and procedures and developing procedures for fair value disclosures in their financial statements.

To help clients prepare for FAS 157,

Interactive Data, through its Pricing and Reference Data business, is a leading independent provider of daily evaluations for fixed-income securities. With over 30 years of experience, Interactive Data's teams of experienced evaluators operating in three major time zones evaluate approximately 2.5 million fixed-income issues every day. Over 5,000 financial institutions worldwide, ranging from central banks to large investment banks, subscribe to Interactive Data's bond evaluations.

- Evaluations of global fixed-income instruments include corporates, high yields, governments and agencies, securitized debt issues, U.S. municipal securities, hybrid securities and money market securities
- Fair Value Information Service
- CDS valuations
- Interest rate swap valuations
- Bank loan valuations
- Intra-day indicative valuations for equity and fixed income ETFs
- Risk analytics data

Independent Evaluations?

Interactive Data has developed a set of informational resources that disclose the types of inputs by asset class that we utilize to prepare evaluations.

We believe that this “bucketed approach” can provide clients with enough information to establish their own fair value hierarchy determinations as required under FAS 157.

New regulations are not alone in driving demand for independent evaluations of fixed-income securities. With the volatility in the global financial markets in mid-to-late 2007, financial institutions have been keenly focused on making sure that they have a firm grasp on the value of their holdings – especially thinly traded fixed-income securities.

Providers of independent evaluations can deliver significant value to financial institutions during these turbulent times. Interactive Data has teams of experienced evaluators who incorporate available transaction data, credit-quality information and perceived market movements into the evaluated pricing applications and models for fixed-income securities.

Global institutions have also been impacted by a lack of liquidity as the credit markets have tightened, and they have had to take a step back to determine their risk exposure. Once again, these

institutions have looked to organizations such as Interactive Data to provide independent evaluations for their portfolio valuation processes.

Independent providers of evaluations put an emphasis on building relationships with a broad range of market sources who can offer insight into market activity. By leveraging relationships with the buy side, electronic trading platforms, and other major market makers, Interactive Data has access to a wide-range of market color. This can help to ensure that Interactive Data’s evaluations reflect information that market participants would consider in pricing the asset.

With the constant market fluctuations and new regulatory mandates, providers of independent evaluations have seen a greater demand for their mission-critical services.

We believe that this increased demand is a sign of things to come, particularly as financial institutions continue to seek to invest in new, more complex financial instruments in an effort to diversify their portfolios and grow their business in these challenging times.

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