



Stephanie Sparvero

Global Head of Evaluated Pricing (BVAL)

Bloomberg

Bloomberg's Stephanie Sparvero sat down with the IVSC to share her perspective on the importance of transparent evaluated pricing and how the International Valuation Standards can help address valuation challenges.

Stephanie is the Global Head of Bloomberg's Evaluated Pricing Service – BVAL, overseeing all BVAL cash products globally, including Government, Supranational, Agency and Corporate Bonds (GSAC) Municipal Bonds & Securitized Products. Stephanie was appointed a member of the IVSC's Financial Instruments Board in July 2021.



How has your career led you to the role you have today as the global head of Bloomberg's evaluated pricing service?

I've always been a very numerical, analytic person so I decided to pursue my first degree in engineering at MIT followed by an MBA degree in finance at Columbia. Out of college, I served as an analyst at Arthur Andersen (now Accenture) where I learned the exciting art of modeling for the investment side.

When an opportunity came up to be the sixth employee at C-BASS, a fledgling hedge fund in the mortgage space, I leapt at chance to build something new at a smaller shop and spent 10 years with the firm developing my financial skills, including getting an MBA in finance, which helped me to go from being an analyst to a portfolio manager. Over time, I realised I was more interested in optimising execution rather than generating investment ideas, so took a role as the Global Head of Structured Finance Analysts at Markit then later went on to be the COO of Barclays' Securitised Product Trading business.

In 2016, Bloomberg approached me for a BVAL position, and I remember being very excited since I love fixed income, thinking about what goes into pricing and helping to inform such a massive, impactful market. I started off as the Chief Operating Officer of BVAL, then three years later, I took on the role of leading BVAL. It's been a fascinating, fast-paced six years helping to shape BVAL into what it is today.

Could you tell us a bit more about BVAL and give us a sense of the breadth and frequency of the data points used across the offering?

When it comes to making pricing decisions, transparency is critical. BVAL is Bloomberg's award-winning evaluated pricing service, which uses over 5 billion pieces of data every day to supply independent evaluated daily pricing for over 2.8 million fixed income securities. BVAL does this for all asset classes across the liquidity spectrum, including thinly traded and hard-to-price instruments.

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At a glance, we provide pricing on:

- 300K+ Government, Supranational, Agency and Corporate (GSAC) bonds
- ~1M Municipal bonds
- 1.6M+ Securitised products
- 12k+ GSAC & Muni curves

We're known for high-quality data, sophisticated methodology, and the transparency of our valuation process and data inputs. Key to BVAL's methodology is its access to market observations from the highest quality contributed sources including TRACE, MSRB, exchanges and broker quotes. This data is further filtered, cleansed and verified with capital markets experts monitoring the process and providing exceptional round-the-clock customer service.

BVAL produces valuations on actively traded bonds several times a day, and for securities that are less liquid, BVAL derives a comparable relative value price. Since prices are derived algorithmically using the most recent market data, BVAL's prices are reactive and closely reflect current market conditions.

From a standardisation perspective, what is critical for delivering this service and how do you think International Valuation Standards (IVS) can help with these challenges?

BVAL has become a mainstream institutional service because of its unrivaled transparency. Clients can understand what inputs we are using, what methodology is applied to those inputs, and the resulting outputs. Bloomberg valuations are supported by the 'BVAL Score', a proprietary measure showing the relative amount and consistency of market data used to generate each evaluated price. Fundamentally, we offer a standardised, clear pricing process. This enables clients to make—and explain—their decision on what works best within their organisations.

I see IVS working toward a similar outcome for market participants, in that we want to outline standard valuation processes that can be readily utilised by firms of varying size and complexity. Their primary objective is to build confidence and public trust in valuation by producing standards and securing their universal adoption.

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To arrive at this trust, valuation transparency is the driving force behind the International Valuation Standards Council, and something where pricing services play an important role. The hope is that by breaking down the processes and roles, firms will be able to better identify and understand any gaps in their current approaches and ensure that ownership throughout the process – whether internal or by third parties – can be adequately distributed and governed. Data providers, accountants, valuers and other experts can all benefit from meeting the IVS in their work because this will raise the quality of valuations across the industry, and that benefits all of us.



At a more general level, when one thinks of Bloomberg, one thinks of financial market data. What, in your opinion, is the importance of data for IVS constituents? How do you think IVS 500 – Financial Instruments is addressing this?

From my time on the board, the depth of responses to the IVS 500 Exposure Draft, and what I've heard from BVAL clients, it is clear that data quality, sourcing, and governance are significant factors in how people approach valuation of financial instruments. Valuation is also highly dependent on observable data at the time of the purchase, and throughout its retention, for each transaction.

IVS 500 is addressing this in a systematic, practical manner that I believe will benefit valuation providers and investors. At present, there are accounting standards and professional codes that govern valuation procedures and applicable judgment, and the appetite for consuming data continues to grow at mid- to high single digit percentages every year. With a market trend toward increased volatility, reducing sources of error, or risk of error in valuations, is essential. That starts with having the best data possible, which I see the IVS 500 facilitating.

What made you decide to join the IVSC Board and what would you like to achieve as a Board member?

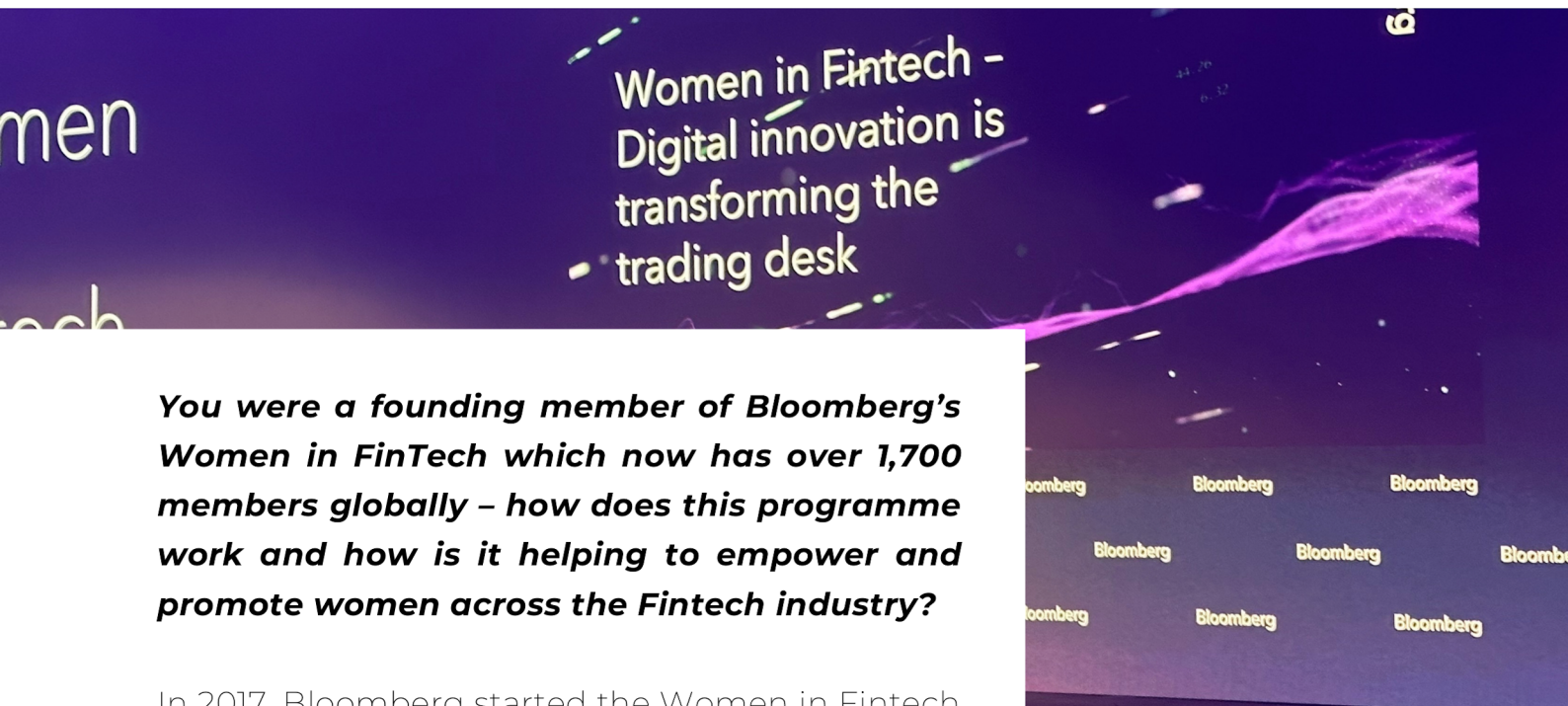
Pricing transparency and accurate valuations are critical for markets to function properly. I was drawn to joining IVSC's Financial Instruments Board to help support its mission of developing and promoting quality, internationally agreed valuation standards to enhance investor understanding, confidence and decision making.

What aspect of your work are you most passionate about and why?

I am passionate about fixed income, and believe it is fundamental to a functioning global economy. Despite fixed income's essential role, it is not well understood outside of those who are working in it. For example, most people know about the stock market and have opinions about it, but I would say less attention is spent thinking about the fixed income market, which is just as big, on the order of \$125 trillion outstanding.

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I think people should know about any part of the economy this large and which offers an equally important avenue for individuals, companies, governments, and financial institutions to pursue financial growth opportunities. Through my work at Bloomberg, the IVSC, and the Bond Dealers of America, I appreciate that I have an opportunity to help increase understanding and awareness about this complex yet crucial part of our global economy.



You were a founding member of Bloomberg's Women in FinTech which now has over 1,700 members globally – how does this programme work and how is it helping to empower and promote women across the Fintech industry?

In 2017, Bloomberg started the Women in Fintech community with the goal of building a network for women across the fintech and finance industries to develop professional knowledge, share career advice, and grow valuable peer connections leading to meaningful change. I had the opportunity to be a founding member and am proud to see how much this group has grown since it launched. For example, last December marked our four-year anniversary and even in a virtual environment, we grew by 40%.

Today, through live events, virtual events, an active social media community and philanthropic initiatives, Women in Fintech has become a strong forum for women in our industry to learn from, engage with, and promote each other.

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When it comes to our events, we select industry experts on topics of interest in finance and fintech, and our industry experts are women. Elsewhere, panel discussions would be primarily or exclusively men, and so in that way, our program is groundbreaking. In addition to the discussions we foster, our community is extremely vibrant and committed. Ideally, this will assist in increased representation of women at all levels in organisations and I’m proud to be a part of this important group at Bloomberg.

How has recent market volatility and ongoing inflationary pressures influenced BVAL’s customer needs and expectations?

It’s no secret that we are living in and dealing with challenging markets. More than ever, clients need us to be on top of the market and provide high-quality pricing to inform their understanding and execution strategies. We consider that job one.

We also handle price challenges in a timely and effective way that lets us focus on the next steps in product development for our clients. We’re able to do this because two years ago, we heavily invested in our pricing challenges resolution workflow so today we can turn around pricing challenges quickly despite spikes in inquiries. We are excited when clients engage with us about their challenges because it means that we are not just another pricing provider to them, but one that is providing essential information as they navigate tough markets. All pricing providers can look similar when there is low volatility but in the volatile market we’re experiencing today, BVAL is poised to be even better.

We are also receiving feedback that indicates clients are looking for further customisation and other services to make their lives easier, ranging from “can you help us standardise our periodic due diligence meetings with your team” to “how can I get more customised data on market events affecting my portfolio?” We consider our clients our partners in product development, and we leverage information about their needs in our design process to continuously improve our quality and service.

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What are your expectations for the next year, both from a market and BVAL perspective?

The biggest constant in this market is change. As for market influences in 2023, we will likely still be contending with volatility for a while stemming from inflation concerns, geo-political risks, and potentially more central bank moves to end this long period of low rates. As our clients manage risks and make decisions against a backdrop of uncertainty, our goal is to support them by building upon our strengths to develop new and enhanced pricing services as markets evolve. Our clients know they can rely on us for stability in volatile and changing environments. Mike Bloomberg founded our company in 1981 to increase transparency in the bond markets. We believe transparency makes markets work better and we are always looking for ways to increase it.

What advice would you give to somebody starting out in Fintech?

Be curious about technology, and its application. That probably sounds fundamental, but if you don't get excited thinking about how to solve problems more efficiently, it's probably going to be a tough industry for you. On the flip side, if you can pair that curiosity with the ability to execute on ideas, you will probably both enjoy fintech and be able to carve out an interesting path for yourself. Lots of people have good ideas, but people who are successful find a way to execute them. Speaking with people in roles that you want to grow into and learn more about is a great way to build a network and get things done. And it goes without saying that tenacity is essential.



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Image: Bloomberg's European Headquarters in the City of London