



Seeing is Believing!

Intellect[®] Risk Visualization for Basel III



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Multiplying Productivity, Empowering Treasures and Operations Teams

The Risk Management industry has become increasingly regulated due to the emergence of frameworks such as Basel III and the Dodd-Frank Act. To remain profitable and competitive in today's severely competitive environment, 'Risk Overview' has emerged as an imperative function in financial institutions. It enables them to maximize returns for any given level of risk capital, and control and monitor regulatory compliance requirements and inherent risks that accompany those investment strategies being nurtured. Risk Data is never static and Risk Managers follow the philosophy that "Seeing is Believing". This means that Risk Data needs to be made more 'actionable' by making it more 'noticeable'.

The Information Technology departments of financial institutions have to control enterprise risk that arise due to ever-increasing data volumes spread across a large number of itinerant systems. Robust Risk Visualization systems ensure that banks do not expose themselves to risks such as non-compliance and trade fraud by pro-actively managing their potential risk via exception management and alert generation when issues and discrepancies arise. Real-time dashboards providing a high-level overview of risk data deliver clear notifications to decision makers. This ensures complete control of internal policies, limits and internal regulations that result in reduced exposure to credit, market, operational and enterprise risks.

The Basel Committee's 17 principles for Sound Bank Liquidity Risk Management mandate that banks should establish a robust liquidity risk management framework. In particular, it calls for the following actions: Offering a customer centric approach, across the product lines.

- Provision of an "Integrated Risk View" for thorough understanding of the close links between funding liquidity risk and market liquidity risk as well as the impact of credit, market, operational and reputational risks on the bank's liquidity risk strategy.
- The senior management should actively monitor and have a framework to quickly respond to potential crisis situations through 'Early Warning Mechanisms'.

The 'Principles of effective Risk Data Aggregation and Risk Reporting'

The 'Principles of effective Risk Data Aggregation and Risk Reporting' are issued by the Basel Committee and need to be followed by financial institutions to achieve compliance in the areas of Risk Management and Risk Reporting:

- A bank should be able to generate accurate and reliable risk data under both normal and stressed conditions.
- Risk Data should be available by business line, legal entity, asset type and other groupings to ensure proper identification and reporting of risk exposures, emerging risks and concentrations.
- Users should have the ability to easily access current and historical risk data in any form they require.
- They should also have the ability to generate aggregate risk data to meet a broad range of ad-hoc and on-demand risk management reporting requests.
- Risk Management reports should be comprehensive and they should cover all material risk areas within the organization and they should be consistent with the size and complexity of the bank's operations and risk profile.
- A bank should be able to generate aggregated and updated risk data in a timely manner on a need-to-know basis.

Zf Risk Visualization provides a systematic framework in which images like risk diagrams and risk maps are leveraged to improve the quality of risk communication along the entire risk management cycle. The solution pin-points the risk drivers and alerts users of risk potential within a bank's domain. It also allows users to 'drill down' to interrogate trades, transactions and cash flows underlying the issue point. This enables a clearer and more definitive decision making process. Thus, better risk visualization techniques equate to superior



risk communication that is critical for managing organization-wide risk.

Challenges

Some of the challenges faced by banks / financial institutions in the area of Risk Visualization are:

- Processing and Analysis of massive amounts of live and historical data for improved decision making.
- The design of visual interface for the system is critical as it enables users to identify outliers and patterns easily and quickly amidst massive amounts of fast changing data.
- Visual Alerts and Early Warning Signals for day-to-day risk monitoring and risk reporting.
- Consolidation of multiple silo systems across the areas of credit risk, market risk, limits management and scenario analysis.
- Risk Reports generated should be understandable and comparable and should have the capability to be aggregated to maximize their value for users.

Polaris' Intellect[®] Risk Visualization solution for Basel III

Polaris' Intellect[®] Zf Risk Visualization solution for Basel III is an out-of-the-box real-time monitoring solution that can be customized to suit banks' specific rules and needs, which aim to maximize the bank's business investment with the addition of real-time dashboards supplying an organizational level snapshot of 'Risk Data'. It provides a consolidated view of the various risk metrics in the form of Visualizations/Dashboards/Early Warning analytics aggregated from multiple underlying bank systems to facilitate liquidity risk management in line with regulatory compliance requirements.

The salient features of Polaris' Intellect[®] Zf Risk Visualization solution that enables quick, comprehensive and insightful decision making are as follows:

- Libraries of 'Ready-to-deploy' Risk Visualizations covering the entire gamut of bank-wide structural, medium term, short term and intra-day liquidity risk views with links to Market Risk and Counterparty risk.

- Decision spaces provide an integrated view at various levels and multiple risk measures in a single visualization.
- Interlinks the data elements from disparate sources to create an integrated Liquidity and Risk Management view "without any data replication" to produce faster and more meaningful visualizations.
- Platform agnostic "Pre-built data connectors" with APIs supporting multiple asset classes and a wide range of risk metrics.
- The solution can be hooked with any in-house built or off-the-shelf Risk and Treasury product of the bank.
- Provides a wide coverage of Liquidity Risk, Market Risk and Counterparty risk measures.
- Can easily accommodate new risk measures without impacting the existing visualizations.
- Management can easily identify outliers from different angles on the same screen.
- Intra-day reporting of risk metrics is enabled through real-time refresh of risk results in Visualizations.
- Helps in improving data quality by making the data more understandable thereby enabling data correction actions.

Conclusion

With the increasing burden placed on financial institutions due to the changing regulatory landscape, there is a need for the management to develop proper 'Risk Oversight' using advanced risk visualization tools and techniques. Risk visualization presents the analysis of risk measurements across credit risk, market risk and finance in a consolidated manner with the aim of improving profits and reducing risks. Aggregated risk-on-demand enables more effective capital allocation and trading decision making, which significantly improves 'Risk Oversight' across the bank. Using its vast experience in credit risk and market risk domains, Polaris can help build data models for risk results repositories taking data from multiple sources for consolidated risk analysis. Polaris' Intellect[®] Zf Risk Visualization solution for Basel III uses the power of Risk Visualization to make informed decisions, take preventive actions and achieve shorter time to compliance through Accelerated Integration and pre-stored.



About The Author

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Phil is an expert in Treasury Capital Markets and Risk with over 27 years experience in Investment Banking. He began his career in the mid eighties with Barclays De Zoete Wedd, the fore runner of Barclays Capital. In the late nineties, he joined Deutsche Bank as Head of Credit Control for Europe, where he was later seconded to a team administering the take-over of Bankers Trust. In 2000, he moved to the 'other side' as a solution provider for a bank's solution delivery by joining Misys where he managed the delivery of TCM and Risk solutions to banks and financial institutions. He specialized in Credit, Market, Liquidity and Enterprise Risk Management.

Phil has worked with a multitude of tier one banks for delivery of solution driven business requirements. He has wide experience in delivering focused solution requirements into the smaller "grass roots" banks across the globe ranging from Brazil to Japan.

Phil has been with Polaris for a year and is enjoying the opportunity of introducing to the Market Polaris' innovative Treasury and Risk solutions.

About Polaris Financial Technology Limited

Polaris Financial Technology Limited is a global leader in Financial Technology for Banking, Insurance and other Financial Services. With over 25 years of expertise in building a comprehensive portfolio of products, smart legacy modernization services and consulting, Polaris owns the largest set of Intellectual Properties for a comprehensive product suite, Intellect® Global Universal Banking (GUB) M180. Intellect® is the world's first pure play Service Oriented Architecture (SOA) based application suite for Retail, Corporate, Investment banking and Insurance. Its acclaimed products, solutions and services enable unprecedented operational productivity for the global Financial Services Industry by Building, Maintaining, Expanding and Extending highly complex and Integrated Financial Technology Infrastructure.

This makes Polaris the chosen partner for 9 of the top 10 global banks and 7 of the top 10 global insurance companies. The company has a global presence through its 40 relationship offices across 30 countries, 6 international development centers and 8 fully owned Business Solution centers. Polaris has a talent strength of over 12,500 solution architects, domain and technology experts.

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