Finacle Asset Liability Management
Asset liability management is gaining strategic importance

The banking business has faced challenges on multiple fronts for a while. Even before the pandemic, the geo-political and macroeconomic situation was uncertain, and the global economy bogged down by sluggish growth and prolonged low interest rates. On the back of falling demand for new credit, rising loan losses and inadequate uptick in non-lending revenues, margins were shrinking fast and hurting profitability.

Covid19 has escalated the situation and unleashed a cascading effect of economic disruption. Banking business operations are impaired further as loan repayments fall and NPAs continue to mount. Adding to the complexity is the regulatory call for increasing capital and liquidity buffers as well as tightening reporting mandates. Prominent market shifts such as LIBOR transition are also expected to impose significant operational and compliance cost burdens.

Now, more than ever, banks need sound strategies for managing their assets and liabilities, optimizing the balance sheet and enhancing profitability. This may call for a comprehensive reimagining of existing asset liability management (ALM) technology with a strategy woven around key transformational virtues.

The four key virtues to power your ALM technology strategy

1. Unified data model
2. Powerful analytics and actionable insights
3. Real-time foundations
4. Reporting automation
However, most banks are finding it difficult to keep pace

While the strategic relevance of asset liability management is increasing, banks’ readiness to elevate its role is low. Legacy system siloes and manual intensive processes hampering visibility, efficiency and data integrity are at the root of the problem. Also, inadequate computation capabilities prevent banks from seeing a quick view of exposures, further hindering effective funding and liquidity decisions.

The lack of sophistication in model risk management has also weakened banks’ resilience against major market shocks – Covid-19 being a case in point.

Last but not least, most banks are lacking in reporting capabilities which adds to their compliance risks and associated costs. Reportedly, the banking industry spends more than 70 billion USD* annually on risk data aggregation and reporting operations alone.

* Source: Chartis Research, 2018
It’s time banks modernize asset liability management

Finacle Asset Liability Management
Introducing Finacle Asset Liability Management

Finacle Asset Liability Management is a comprehensive liquidity and interest rate risk management solution designed to deliver an enterprise-wide view of all on-balance sheet and off-balance sheet exposures, to enable banks and FIs to manage their funding and liquidity decisions better.

Built on an advanced architecture, the componentized solution with its robust functional capabilities, along with a self-service workbench, actionable insights and industry ready reporting engine helps to elevate the asset liability management function in banks and FIs of all types and sizes, across regions and segments.

The solution enables banks to –

• Manage regulatory and internal governance requirements with agility
• Go beyond compliance and reporting needs to meet the strategic objectives of asset liability management
• Strengthen resilience to market volatility with intelligent risk management

The Finacle Promise

- **Comprehensive, integrated solution**
  - Manage regulatory and internal governance requirements with agility
- **Advanced architecture**
  - Drive strategic management of assets and liabilities
- **Enhance resilience with intelligent risk management**
Comprehensive, integrated solution for ALM transformation

Banks are increasingly counting on their asset liability management function to play a strategic role. To achieve the best outcomes, they need a comprehensive, integrated platform packed with the latest capabilities.

A componentized, cloud-ready solution; Finacle Asset Liability Management offers expansive features to enable banks to manage their liquidity and interest rate risks better. The solution caters to all aspects of a risk manager's requirements - from traditional objectives such as MIS, reporting and data management to strategic ALM objectives such as balance sheet planning, scenario analysis, asset/liability pricing and more.

The solution's layered architecture offers a suite of services to drive asset liability management with the right degree of agility. Its powerful cashflow engine generates forecasts for contractual and behavioral cash flows with support for granular drill downs. Further, the solution's stress testing module makes banks more resilient by simulating market shocks using a wide range of pre-defined scenarios.

<table>
<thead>
<tr>
<th>Banker Experience Layer</th>
<th>Core Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web application</td>
<td>Scenario Analysis and Stress Testing</td>
</tr>
<tr>
<td>ALM Services</td>
<td>Interest rate stress test</td>
</tr>
<tr>
<td></td>
<td>Common Services</td>
</tr>
<tr>
<td></td>
<td>Historical</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Master Setup Layer</th>
<th>Infrastructure Layer</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALM products</td>
<td>Ratio builder</td>
</tr>
<tr>
<td>Cash flow – Rules and behavioral models</td>
<td>Maturity time ladders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ALM Data Stack</th>
<th>Finacle Integration Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation</td>
<td>Core</td>
</tr>
<tr>
<td>Transformation</td>
<td></td>
</tr>
<tr>
<td>Aggregation</td>
<td></td>
</tr>
<tr>
<td>Configuration</td>
<td></td>
</tr>
</tbody>
</table>

Functional overview

| External Document © 2021 EdgeVerve Systems Limited |
Positioned at the intersection of several forces, asset liability management today is extremely complex. Banks today expect technology to reduce this complexity. However, the archaic environment in many is not quite ready for change.

Finacle Asset Liability Management enables banks to unlock the benefits of modern technology and accelerate their transformation journey.

Built on the industry’s most advanced architecture, the cloud-ready, microservices driven solution offers flexibility with multiple deployment options across private, public, or hybrid cloud. Readymade adaptors with industry-standard interfacing frameworks help banks lower integration costs and enhance efficiency. The solution’s integrated data repository with inbuilt validations ensures risk data integrity and traceability. Powerful analytics with actionable insights and account-level drilldown enable accurate risk forecasting and impact analysis, which in turn helps drive better decisions.

Further, the solution is host agnostic and has seamless interoperability with Finacle as well as non-Finacle systems.
Manage regulatory and internal governance requirements with agility
Navigate regulatory and internal governance complexities with speed and scale

Market risk managers today are overburdened by reporting and internal governance requirements. Because of the limitations of legacy ALM systems, they end up spending a lot of time on routine, manual-intensive activities, which stifles their ability to deliver more strategic outcomes.

Finacle empowers risk managers with comprehensive capabilities to run agile ALM operations. The solution’s self-service workbench drives functional scalability by empowering business users with DIY configurations. Its advanced data management capabilities ensures that risk managers no longer need to invest their time on cleaning, reconciling and deduplicating risk data. The cleaner data with high integrity not only improves analysis, but also enhances efficiency with seamless aggregation and reporting. The solution’s ready reference corner enhances user interventions with a quick view of key ALM parameters such as loans/deposits rates, market information, bank’s own KPIs and regulatory ratios. Further, the solution’s contemporary design and user-friendly screens offer seamless experience with intuitive navigation.
Achieve straight through reporting with minimal interventions

The reality is that the ALM function in most banks is heavily reliant on spreadsheets for risk data aggregation and reporting. This not only requires significant manual effort, but also poses data fragmentation and replication challenges. Compounding these issues is a lack of standardization, which along with increasing reporting complexity is making it difficult for banks to generate reports ad-hoc and comply adequately.

Finacle Asset Liability Management provides an integrated, secure and scalable reporting infrastructure offering standard reports and custom reports on-demand. A wide range of pre-configured reports, supporting regulatory as well as internal requirements across both liquidity and interest rate modules is available. Business users can also slice and dice the data, create tailored reports, drill down the data extensively and unlock additional insights.

The highly simplified, yet sophisticated reporting engine takes a major burden off the shoulders of risk managers and helps them focus on the strategic aspects of ALM.
Drive strategic management of assets and liabilities
Manage enterprise-wide exposures holistically

The role of asset liability management has evolved beyond basic compliance and reporting; and is fast becoming a strategic driver to deliver business results. Increasingly, the ALM function is being called upon to work proactively on a growing responsibility of planning balance sheet structures, optimizing liability mix, regulating funding concentrations and maximizing net interest margin. However, tedious archaic processes running on legacy systems are restricting risk managers from achieving the intended objectives.

Finacle Asset Liability Management offers comprehensive capabilities to manage exposures across on-balance sheet and off-balance sheet products and enables risk managers to identify gaps, assess impact on NIM and liquidity, and take corrective actions.

Enterprise-wide view of exposures

**On-balance sheet products**
- Loans
- Deposits
- Investments
- Capital

**Off-balance sheet products**
- Derivatives
- Structured products
- Letter of credit
- Bank guarantee
Respond better to market volatility with robust stress testing

A decade into the financial crisis, banks continue to face the heat of economic turbulence. Covid-19 has further put the spotlight on the importance of resilience in banking operations. With regulators around the world tightening capital and liquidity norms, it is critical for banks to optimize their buffers, which requires them to strengthen their stress testing and scenario modelling capabilities.

With Finacle Asset Liability Management, banks gain robust stress testing capabilities to identify, forecast, test and optimize key liquidity and interest rate risk drivers. The solution supports a wide range of adjustments and auto balancing assumptions, thereby, facilitating dynamic analysis and recalibration of models.
Leverage predefined, multi-layered scenarios for and beyond regulatory requirements

Finacle offers an inbuilt scenario library for a range of pre-configured, multi-level stress scenarios in line with BCBS recommendations and beyond. Risk managers can leverage the library to test liquidity and interest rate risk drivers across historical, stressed, what-if and forecasted scenarios.

The solution's workbench supports user-driven customization of scenarios. With this, risk managers can effectively simulate external shocks on-demand to evaluate their impact on cash flows and further optimize their liquidity and capital buffers.
Enhance resilience with intelligent risk management
Comprehensive coverage of liquidity and interest rate risk metrics

The proliferation of liquidity and interest rate risks is more pronounced today than ever before. In banks with multi-entity operations, the complexity of managing risk is far higher. There is an unprecedented need for an intelligent risk management function with advanced capabilities such as powerful analytics, decision heuristics, early warning systems and smart visualizations.

The Finacle Asset Liability Management solution covers a wide array of liquidity and interest rate risk metrics, such as gap analysis, duration analysis, survival period estimation, LCR, NSFR, EaR & VaR and more, and delivers an aggregated view of risks across entities and geographies.
Drive timely interventions with intelligent ALM

With expanding product lines and risk burdens, banks are struggling to keep a real-time vigil on the risk drivers impacting their business operations. Real-time monitoring is not only critical from a compliance standpoint but is also important for enabling better funding and liquidity decisions and interventions.

With powerful embedded analytical capabilities, Finacle Asset Liability Management helps banks and FIs run intelligent ALM operations with highly efficient and proactive decision support. The solution dynamically enhances liquidity and interest rate risk monitoring with an array of integrated tools such as calculators, analyzers and comparators. Users can create custom alerts to track risks at a portfolio or product level.

Further, the solution’s behavioral analysis and granular drilldown capabilities help risk managers perform better analyses and improve portfolio and account level business decisions, thus ensuring an optimum pricing, funding and liquidity strategy to maximize efficiency and in turn, profitability.
Join the Finacle Digital Banking Community
Experience that speaks for itself

The industry-leading performance of Finacle clients reflects our commitment to scaling digital transformation. An assessment of the top 1000 banks globally revealed that institutions powered by Finacle enjoy –

- 33% higher returns on assets than others, with average returns on assets at 1.2% and **top-performing client at 4.7%**
- 19% higher returns on capital than others, with average returns on capital at 15.6% and **top-performing client at 33%**
- 3.9% points lesser costs to income ratio than others, with the average ratio at 47.2% and **top-performing client at 16%**
Most awarded solution suite in the industry

Finacle and its clients have won 25 industry awards for exemplary transformation programs in the year 2020. This makes Finacle the most awarded solution suite in the industry.

**Future digital awards**
Presented by Juniper research
- Finacle Digital Banking Suite
- Finacle Trade Connect
- Emirates NBD Liv.

**MEA Finance Award 2020**
- Best Cash Management Technology Provider
- Best Mobile Banking Solution Provider

**IBS Intelligence**
Global FinTech Innovation Awards 2020
- Bank Rakyat Indonesia
- United Bank for Africa
- Bank of the West
- Aafaq Islamic
- Royal Bank of Scotland

**Celent Model Bank 2020**
- Emirates NBD Liv
- Australian Military Bank

**Aite Impact Innovation Award**
- Bank of the West

**The Asian Banker**
Middle East & Africa Regional Awards 2020
- Banque Misr,
- Emirates NBD,
- Equity Bank,
- Standard Bank,
- Paytm PaymentsBank

**Banking Technology Awards 2020**
- Bank BRI Ceria
- Emirates NBD Liv.
- Bank of the West
- DBS Bank
- Infosys Finacle Digital Banking Suite
Transform your asset liability management today

Growing market uncertainty is bringing asset liability management under the spotlight. Unlocking the true strategic potential of ALM requires banks to become truly digital and to anticipate what tomorrow's landscape may hold. Join the global community of banking leaders who are innovating and transforming with Finacle.
Finacle is the industry-leading digital banking solution suite from EdgeVerve Systems, a wholly owned product subsidiary of Infosys. Finacle helps traditional and emerging financial institutions drive truly digital transformation to achieve frictionless customer experiences, larger ecosystem play, insights-driven interactions and ubiquitous automation. Today, banks in over 100 countries rely on Finacle to service more than a billion consumers and 1.3 billion accounts.

Finacle solutions address the core banking, omnichannel banking, payments, treasury, origination, liquidity management, Islamic banking, wealth management, analytics, artificial intelligence, and blockchain requirements of financial institutions to drive business excellence. An assessment of the top 1250 banks in the world reveals that institutions powered by the Finacle Core Banking solution, on average, enjoy 7.2% points lower costs-to-income ratio than others.

For more information, contact finacle@edgeverve.com

www.finacle.com