



OVERVIEW BROCHURE

# OneSumX<sup>®</sup> Financial Risk Management



Wolters Kluwer  
Financial Services

When you have to be right

## Risk Management

Risk Management in its purest form is the process by which risks in an investment are identified, assessed, measured and managed in order to create a return, or economic value. Key to success for a financial institution therefore is a comprehensive strategy that combines well-designed technology architecture with a suite of analytical applications to support risk-aware decision making.

During the last few years it has become evident, that correctly qualifying and quantifying risks – credit, counterparty credit, market, liquidity, operational – can be very challenging and as a consequence regulators are attempting to refine and change the financial services landscape in order to make financial institutions and the global banking system more resilient.

The adoption of Basel III and Dodd-Frank to deliver this mandate is bringing challenges to CFOs and/or CROs. Regulators are requiring financial institutions to:

- Hold more and better quality capital
- Meet minimum standards for short and long term liquidity in the form of the:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Meet minimum standards for leverage to act as a backstop to balance sheet growth
- Improve risk management governance and make senior management/board members accountable
- Introduce restrictions on variable remuneration

In addition, in terms of their minimum pillar 1 capital requirements there have been numerous refinements to the underlying calculations, methodologies and standards that need to be met by financial institutions. From a pillar 2 perspective, regulators are more intrusive in terms of questions posed around institutions' business models, stress testing methodology and contingency plans. If regulators are not satisfied with the answers then additional capital and liquidity buffers are imposed that have negative consequences for earnings.

These refinements require the CFO / CRO to build the firm's strategy and plans. The CFO/ CRO will bear the responsibility to quantify the strategy results and feasibility under the regulatory rules of more expensive, higher quality capital, as well as liquidity and leverage constraints. The quality of the solution supporting this effort will directly influence the contribution of the CFO / CRO to strategic decisions.

Due to the historical nature of the development of risk management practices in the industry and financial institutions, most of the key risks described above are typically measured and stressed in silos, by different departments. This makes it very difficult to gain a holistic, consistent view of risk across the institution and undermines the confidence in the decision making process.

In light of the new regulatory standards, be that Basel III or Dodd-Frank or other local rules, there is also a cultural and technological challenge which financial institutions need to rise to by way of integrating the management of these risk into a single platform. The greater the integration between these areas, the more financial institutions will benefit from a holistic and consistent view of their balance

sheet, earnings, capital, liquidity and leverage under normal and stress conditions through time - to support more informed and confident decision making.

It is an ongoing concern to improve the risk management process and increase profitability with minimum exposure to risks, reduce manual interventions and automate processes and controls. With its integrated data model, calculation engine and reporting platform, OneSumX automates the numerous work-around processes that institutions have built to reconcile their silo risk outputs. This reduces the through-the-cycle time and frees up time for added value activities.

Regulatory and internal changes are compelling and recurring: they absorb significant efforts and energy. At Wolters Kluwer Financial Services we are permanently on top of these changes and embed our expertise into our solutions. OneSumX implements these changes, manages new data requirements and calculations, and accelerates the disclosure process with complete transparency.

Strategy and planning are more than ever contingent to the regulatory rules on finance and risk. P&L volatility caused by capital and liquidity requirements and leverage ratio limitations, are a few examples that show the complexity the CFO/CRO has to master in contributing to the strategy. The capacity to deliver accurate simulations of all critical business factors, as well as encompassing all these aspects, is definitely critical for the CFO/CRO and for the firm.



OneSumX combines Wolters Kluwer Financial Services three main differentiators of technology, content and services to provide an unrivalled risk management offering that can flexibly address the risk management challenges in this fast moving business and regulatory environment.

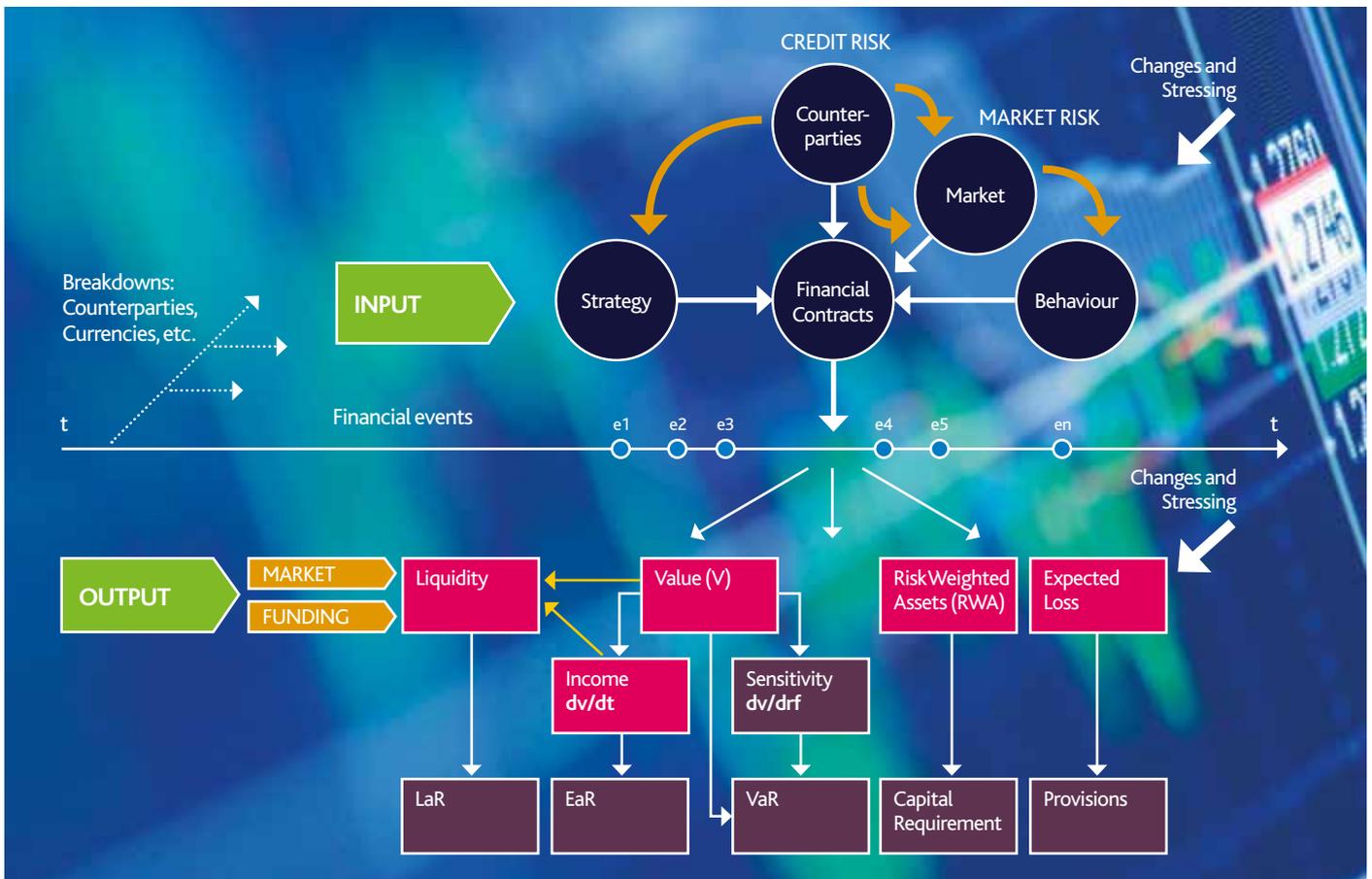
### Integrated data management

OneSumX Financial Risk Management is an event based contract centric integrated solution, such that data is collected once in order to measure all financial risks. The solution delivers full data management capabilities, validation and reconciliation as well as valuations and data enrichments.

### Balance sheet management – powerful analytics engine

As a contract centric integrated financial risk management solution, OneSumX generates expected and unexpected cash flows based on anticipated events over the lifetime of the contract. These events reflect the outlook for the macro economy, market risk factors, the strategy of the firm and the expected behaviour of its counterparties.

The results delivered allow firms to calculate their balance sheet value, income, capital, liquidity, leverage and provisioning levels now and at any point into the future.



OneSumX Financial Risk Management is an event based contract centric integrated solution, such that data is collected once in order to measure all financial risks.

### Capital

Calculate, simulate and stress risk weighted assets and capital requirements for credit, counterparty credit, market and operational risks according to standardized and/or internal models. Reflect collateral allocation, netting and guarantees as per the Basel rules and compare this to an internal assessment using Economic Capital models.

In addition, calculate and manage concentration risk, expected loss, provisions, impairments, credit value adjustment and wrong way risk using analytical models or Monte Carlo simulation. Summix supports the calculation of all Basel CVA related measures including Current Exposure, Peak Exposure, Expected Exposure, Effective Expected Exposure, Expected Positive Exposure and Effective Expected Positive Exposure.

### Liquidity

Calculate, simulate and stress the LCR, NSFR using contractual and behavioral cash flows assuming a liquidation analysis (living wills) and going concern analysis. In addition, calculate the marginal and cumulative liquidity gap and survival period of your financial institution.

### Leverage

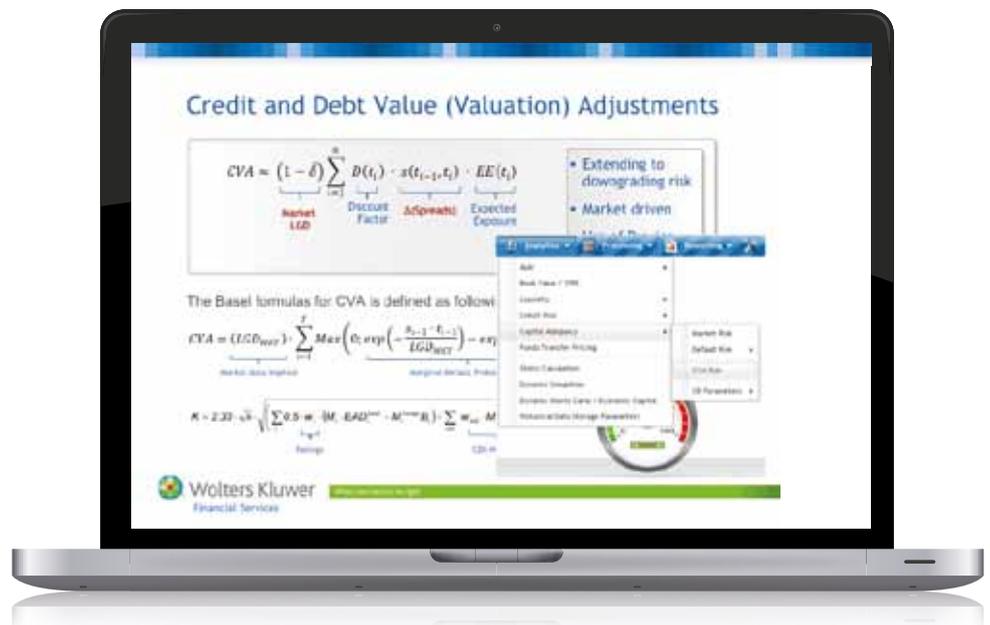
Calculate, simulate and stress the leverage ratio reflecting the alternative treatment described by the regulators for off-balance sheet items and derivatives in comparison to the solvency calculations (among other items).

### Earnings

Calculate, simulate and stress net interest income (NII) reflecting the appropriate different instrument valuation methodologies such as discounted cash flows, CAPM, Black-Scholes, Trinomial trees etc. In addition, calculate and manage key risk indicators such as the sensitivities and the re-pricing gap.

### Performance

Understand and analyze which sources consume and provide liquidity; and which trades/counterparties consume capital by calculating, stressing and simulating FTP rates, RORWA and RORAC.



## Budgeting and Planning

Evaluate the impact of alternative stress tests, scenarios and simulations across capital, liquidity, leverage and earnings simultaneously and then use the outputs to inform contingency plans and business strategy. Easily define and combine “stress models” into a single analysis across numerous factors as per the table below.

Market risk factors	Credit/Counterparty credit risk factors	Customer behaviour	Institutions business strategy	Institution specific (look-ups)
<ul style="list-style-type: none"> <li>• Yield curves</li> <li>• Product Rates</li> <li>• Currencies</li> <li>• Indices &amp; Stocks</li> <li>• Commodities</li> <li>• Volatilities &amp; Correlations</li> </ul> 	<ul style="list-style-type: none"> <li>• Ratings/Credit Spreads</li> <li>• Probability of default</li> <li>• Migration matrices</li> <li>• Collaterals &amp; Recoveries</li> <li>• Exposures</li> </ul> 	<ul style="list-style-type: none"> <li>• Remaining principal</li> <li>• Prepayments</li> <li>• Replication</li> <li>• Use of facilities</li> <li>• Used at default</li> </ul> 	<ul style="list-style-type: none"> <li>• Business volumes</li> <li>• Re-investment</li> <li>• Asset sales</li> <li>• Non-Financial cash flows</li> </ul> 	<ul style="list-style-type: none"> <li>• Macro model</li> <li>• ...</li> </ul> 

## Reporting

OneSumX Financial Risk Management presents the results of this integrated analysis in an easy-to-use set of online analytical processing (OLAP) cubes that allow users to drag and drop dimensions to add insight into their analysis and create KRI dashboards. In addition, users can drill down to the underlying cash flow of events for a single contract through a fully configurable and customer specific chart of account structure. As such, institutions with multi-entity and cross border requirements can gain a single holistic view across the entire organization, identifying concentrations in credit risk or funding sources while simultaneously being

able to analyze entity specific positions across capital, liquidity and earnings under alternative scenarios.

## Risk & Profitability

Following the financial crisis and increased regulatory pressure, the market has seen significant changes in risk management. Market volatility and a recognition that counterparty risk is very real have resulted in risk management systems starting to be viewed as strategic assets. Investments have been focused on enabling a holistic view of risk and providing timely access to information. The comprehensive OneSumX solution suite can deliver to your organization

an integrated solution for financial risk management and reporting – integrated from a data, analytics and reporting perspective.

There are significant benefits from the use of a single set of analyses executed from the same data set, which uses one set of analytics to derive a unique projection of expected cash flows per scenario, incorporating all relevant credit, market, behavioral, strategic and macro-economic events. This means institutions can measure risks more accurately and more consistently, thus informing strategy and contingency plans with greater insight.

Wolters Kluwer Financial Services delivers solutions, content and expertise to financial institutions worldwide. We provide operational savings and improved decision making insights that will ultimately provide stronger capital planning, robust liquidity and improved margins.





## ABOUT WOLTERS KLUWER FINANCIAL SERVICES

Wolters Kluwer Financial Services provides more than 15,000 customers worldwide with risk management, compliance, finance and audit solutions that help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. With more than 30 offices in 20 countries, our prominent brands include: AppOne®, ARC Logics®, AuthenticWeb™, Bankers Systems®, Capital Changes, CASH Suite™, FRSGlobal, FinArch, GainsKeeper®, NILS®, OneSumX®, TeamMate®,

Uniform Forms™, VMP® Mortgage Solutions and Wiz®. Wolters Kluwer Financial Services is part of Wolters Kluwer, which had 2013 annual revenues of €3.6 billion (\$4.7 billion), employs 19,000 employees worldwide, and maintains operations in over 40 countries across Europe, North America, Asia Pacific, and Latin America. Wolters Kluwer is headquartered in Alphen aan den Rijn, the Netherlands. Its shares are quoted on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices.

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