When you have to be right

Financial Services

OneSumX for Integrated Risk and Finance
Risk, finance and compliance professionals in financial institutions need full access to comprehensive business information in order to effectively manage their day-to-day roles. An integrated risk and finance platform, adjustable to meet regulatory or organizational changes and growth, is an ideal model for a bank’s architecture.

The traditional boundaries that exist between the risk and finance departments, in conjunction with technological constraints from the past, mean that siloed architectures are still very common within financial institutions. However, there are clear signs that the organizational borders between risk and finance departments are fading: Encouraged by demand from regulators and management for more, faster and better quality information, together with technological advancements and ‘big data’ capabilities, these obstacles can now be overcome.

The path to achieve full integration is complex but the results are rewarding. Using the OneSumX suite of solutions, Wolters Kluwer can help financial institutions develop a strategic plan to achieve a single shared and trusted platform to support risk, finance and performance needs.
**Move away from the silo approach**
Historical investments in systems to support organic growth, and the integration of ‘external’ systems acquired through merger and acquisition activity, have resulted in many institutions owning a labyrinth of interconnected systems that is hard to maintain and control. The silo-based setup has many pain points. First is the large number of interfaces and cumbersome reconciliation efforts required to operate such an environment. Second, loading and transforming data repeatedly results in inconsistent and incomparable data. Combined with loss of details due to aggregation of data in the interface, this typically results in ‘black box’ architectures where the answer to an auditor’s or regulator’s question requires access to multiple systems and help from the IT department.

**Traditional boundaries are disappearing**
Regulatory changes, such as Basel III and Dodd-Frank, are requiring more input from finance to compute measures like the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

The current draft of the new impairment model in the IFRS 9 accounting standards is another example of a regulatory change where financial institutions can benefit from being able to use common data, processes and calculations; for example under certain conditions, assessment of credit deterioration can be made using input from existing credit scoring systems.

There are many challenges that need to be overcome in order to achieve the goal of full integration. Beyond addressing organizational complexity, implementation of the right technology and the architectural design of the system are also crucial.
Central Data Management
The data management layer that is at the foundation of OneSumX for Finance, Risk & Reporting is uniquely tailored to the finance industry. It includes a rich, business-focused data model, allowing different departments to store granular business information with meaningful results specific to the unit. Common information is not duplicated but re-used and when information is sourced from a wide range of source systems, the reconciliation and enrichment tools put it together to create an aggregated view, delivering a single and trusted source of information.

It is important to note that while finance and risk departments share common concepts and information, there are often key differences found between the two. For instance, what is categorized as 'equity' in the finance department following IFRS is different to what is allowed to be used as Tier 1 Capital under Basel requirements. Also, when talking about expected credit losses under the new IFRS 9 rules, there is clear difference in time horizon for the probability of default. OneSumX allows reconciliation and explanation of these key differences.

Shared engines and analytics
Although such a central data layer is a first step, a truly integrated risk and finance platform requires more. To support this, financial institutions using the OneSumX solution suite can leverage existing investment in high performance calculation engines such as Cash Flow Engine, PD & LGD calculators, Fair Value Calculators, forecasting and simulation engines. This not only simplifies the overall architecture, it also lowers the total cost of ownership (TCO) by removing redundant or superfluous software.

OneSumX contains dedicated rules-based engines that allow financial institutions to take ownership of the different processes within the system.
Examples of such easy-to-tailor rules-based engines are found in our reconciliation, validation, classification and accounting generation engines. These come with version control, auto-documentation and drill-back capabilities, enabling a truly open and flexible architecture.

**Best of breed and interlinked risk, finance and performance management features**

The modular approach we take allows users to cherry-pick between a wide range of advanced features in the risk, finance and performance management domain. In the area of finance we deliver functionality such as our advanced subledger, our amortized cost and impairment calculations and fully compliant IFRS accounting rules. Our risk solution covers areas like capital calculation, CVA, wrong-way risk, counter-party credit risk, liquidity ratios, liquidity risk, leverage ratio, reporting and disclosure, and stress testing requirements. The performance framework contains tools for measuring and managing profitability, funds transfer pricing and cost allocation.

By using actual performance data and taking assumptions on changing market conditions, financial projections and forecasts can be made which will effectively support strategic business decisions.

Cross feeds between the different individual risk-finance-performance components link these components to one another, enabling financial institutions to use more risk-adjusted performance measures such as Risk-Adjusted Return on Capital (RAROC), resulting in not only better but also more responsive business decision support.
Wolters Kluwer provides a complete end-to-end solution for all risk, finance and performance needs. OneSumX for Finance, Risk & Reporting central business-oriented data layer promotes efficiency, improves data quality and enables our customers to take advantage of the commonalities that exist between risk and financial data and calculations. OneSumX removes the barriers between the departments by supporting a common and shared language, references and tools, resulting in a greater transparency and trust.

A significant reduction in architectural complexity and TCO can be achieved by reducing the number of interfaces, enrichments and reconciliation efforts, while shared simulations and analytics enable better decision making and increased reactivity.

Having a ‘single version of the truth’ enables our clients to better respond to the continuous pressure and complexity of new and updated regulations. Wolters Kluwer is a trusted partner for many institutions across the globe for their regulatory reporting solution needs (including support for nearly 50 jurisdictions). Our Regulatory Update Service (RUS) gives access to unrivalled global reach and the expertise needed to remain up-to-date and in compliance with these regulations.
Achieving appropriate finance and risk integration will ensure consistent information, increasing the value those functions deliver, by taking the best of both worlds while better supporting management decisions and bringing mutual impacts into perspective.
About Wolters Kluwer

Wolters Kluwer N.V. (AEX: WKL) is a global leader in information services and solutions for professionals in the health, tax and accounting, risk and compliance, finance and legal sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

Wolters Kluwer reported 2015 annual revenues of €4.2 billion. The company, headquartered in Alphen aan den Rijn, the Netherlands, serves customers in over 180 countries, maintains operations in over 40 countries and employs 19,000 people worldwide.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

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