Frequently Asked Questions
Oracle Financial Services Asset Liability Management

Introduction

This document provides answers to pertinent questions for Oracle Financial Services Asset Liability Management.

Questions and Answers

Q: *What is the product value proposition?*

A: Oracle Financial Services Asset Liability Management allows financial institutions to gain an accurate view into their profitability, earnings stability, and overall risk exposure of the balance sheet. By modeling every instrument on and off the balance sheet, and adding to or replacing current position runoff with new business, users get an accurate forecast of a balanced balance sheet into their forecast horizon.

Q: *Key Features of Oracle Financial Services Asset Liability Management?*

A: - Robust and highly scalable analytical risk engines

- Customer relationship level data model

Enable analysis of gaps across multiple dimensions and at desired level of granularity from a group balance sheet, through to an individual position

- Understand cash flows, positions and situations through an exhaustive set of pre-configured dashboards and reports

- Ability to forecast and value Balance and Income Statement under various stress scenarios

- Historical Simulation and Monte Carlo Stochastic analysis

Q: *Key Benefits of Oracle Financial Services Asset Liability Management?*

A: - Actively incorporate risk into decision making

- Promote a transparent risk management culture

- Deliver actionable customer and product profitability insight

- Deliver pervasive intelligence throughout the enterprise

- Access controls and approval workflows based on user roles

Q: *How does the product work with the rest of the OFSAA suite/platform?*

A: Oracle Financial Services Asset Liability Management is part of OFSAA, an integrated suite of applications that share a common account level relational data model and applications architecture.

OFS ALM is closely tied to Oracle Financial Services Funds Transfer Pricing and oracle Financial Services Profitability Management. By having all of these applications packaged together, a bank can get a full view into balance sheet management risk and.

Together with Oracle Financial Services Liquidity Risk Management, OFS ALM leverages the cash flow engine component to produce runoff cashflows for the current balance sheet.

Q: *What are the business pains that this application addresses?*

A: - Banks have difficulty capturing instrument level characteristics of every customer relationship to accurately measure interest rate risk

- Increasing regulatory burdens require banks to apply multiple techniques to accurately measure exposure to liquidity and repricing risk, as well as accurately forecast balance sheet and income statement.

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- Spreadsheets are not adequate to meet the timelines and complexity demands of asset liability management

Q: *What out of the box reporting is available?*

A: Oracle Financial Services Asset Liability Management Analytics provides out of the box reporting capabilities for ALM and FTP subject areas including Balance sheet and income statement forecasting reports with drill down capability, market valuation and interest rate sensitivity, Interest rate and liquidity GAP analysis, Stochastic (EAR and VaR) reports, as well as Assumption Rule and Audit capabilities. Customers can easily manipulate existing reporting or create new reports and dashboards.

Q: *Can we model structured cashflows in the ALM application?*

A: Oracle Financial Services Asset Liability Management now integrates with Moody's structured cash flow models. Users can accurately model structured cashflows for ABS/MBS CMO, CLO, and CDO's given the nature of the rules in the waterfall of cashflows.

Q: *What other third party models does ALM integrate with?*

A: In addition to Moody's, OFSAA ALM is also integrated with the Andrew Davidson (Adco) Loan Dynamics prepayment model (LDM). Customers can get even more insight into their prepayment behavior on both existing and new business modeling by integrating the Adco LDM model. Additionally, there is a three way integration point with Moody's structured cashflows, OFSAA ALM and Adco so users also have the option to apply Adco LDM prepayment vectors to collateral pools for a better view into the securitized tranch cashflows all within a single Balance sheet simulation run.

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