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Oracle Financial Services Funds Transfer Pricing Cloud Service

Funds transfer pricing (FTP) can be a powerful tool for answering complex profitability questions. However, many financial institutions are challenged with accurately assessing profit across a myriad of dimensions.

Oracle Financial Services Funds Transfer Pricing Cloud Service builds on Oracle's history as the industry's first matched maturity funds transfer pricing application, enabling financial institutions to determine the spread earned on assets and liabilities, and the spread earned as a result of interest rate exposure for each customer account. It also provides an accurate assessment of profitability across products, business lines, channels, and customers as well as centralizing interest rate risk for effective management.

A true software-as-a-service application (SaaS), Oracle Financial Services Funds Transfer Pricing Cloud Service features a microservices architecture, robust APIs, and a single, transparent data model that enables financial institutions to embrace a component-based approach to modernization. Further, its intelligent, award-winning interface delivers a superior user experience with reduced maintenance.

Funds Transfer Pricing as a Profit Enriching Tool

The funds transfer pricing process isolates the four major sources of a bank's margin:

- The spread earned on assets
- The spread earned on liabilities
- The spread earned or lost as a result of interest rate risk exposure
- The spread earned or lost as a result of embedded options, liquidity charges and other add-on rates

Measuring and managing interest rate margin offers tremendous profit opportunities. By separating the components of net interest income, Oracle Financial Services Funds Transfer Pricing Cloud Service isolates rate risk into a financial services organization's funding center, where it can be centrally managed. In turn, organizations can hold business units accountable for what they can control: pricing and profitability. Armed with highly accurate and granular information, supported by the application's real-time analytics, line of
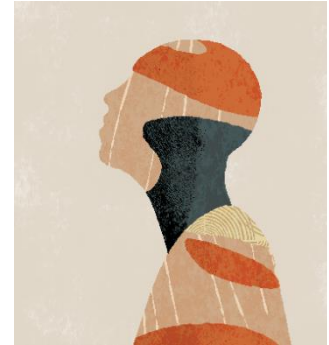
Key Features

- Industry-leading and extensive transfer pricing methods

- Ability to incorporate forward-looking transfer pricing into asset liability management scenarios, as well as planning and budgeting

- Add-on rates for basis, option, and liquidity risk

- Integrated risk, performance management, and customer insights

- Granular visibility into components of net interest margin and full auditability

- Shared data model and platform that eliminates data silos

- Enterprise scale in the cloud

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business managers can make solid, supportable decisions that lead to stronger performance.

Achieve granular precision and flexibility

Oracle Financial Services Funds Transfer Pricing Cloud Service assigns a transfer rate and one or more add-on rates to each customer account by applying the transfer pricing technique you specify for each type of product. There are 12 methodologies to choose from, enabling you to match the right method for every product. These methodologies incorporate user-driven transfer pricing yield curves, unique account characteristics, and customized prepayment expectations into the transfer rate calculation.

Multiple transfer pricing add-on rates allow you to isolate the impact of individual market risks, such as option costs, basis risk, and liquidity risk. This capability enables you to better understand the risk profile of individual instruments, selected portfolios, and the entire organization and consider the appropriate charges for these risks in your pricing decisions.

Reconciling current rate risk with historical transfer pricing perspective

To clearly explain today's treasury profit, transfer prices must reflect both current rate risk and historical balance sheet management actions. Oracle Financial Services Funds Transfer Pricing Cloud Service can apply today's yield curve to the remaining life of an instrument to compare embedded and current risk profiles. It stores historical and current transfer rates on each individual customer record. By comparing these two perspectives, you can isolate current risk profit and historical risk profit.

Centralized interest rate risk

Oracle Financial Services Funds Transfer Pricing Cloud Service isolates each source of interest rate risk and concentrates rate risk management into your funding center. Utilizing Oracle Analytics data visualizations, on-demand access to vital information about rate risk becomes a routine and essential part of effective balance sheet management.

Gain deep understanding of option costs

Oracle Financial Services Funds Transfer Pricing Cloud Service delivers advanced functionality to calculate option costs. An organization's balance sheet can include several types of optionality, including prepayments, rate caps and floors, and early redemptions on deposits. The costs of funding a loan can rise, and profits decline when customers exercise these options. Oracle Financial Services Funds Transfer Pricing Cloud Service enables users to quantify the cost of an option, in terms of a spread over the transfer rate, for each instrument at the time of funding. You can use the calculated cost of options in conjunction with the transfer rate to better analyze profitability.

Users can choose from several stochastic techniques to calculate options costs. Numerical techniques include Monte Carlo with pseudo-random numbers and

Key Benefits

- Set transfer rates for the entire balance sheet
- Integrate risk insight into decision-making
- Gain flexibility to accurately assign transfer rates to individual customer accounts
- Develop a deeper understanding of option and liquidity costs
- Identify break events and compute economic gains/losses
- Price loan commitments using forward rates and calculate rate lock option costs
- Elevate the user experience with an award-winning interface
- Reduce IT team burden with highly configurable solution

Oracle Cloud Service Impact

- Reduce costs on hardware and physical facilities
- Gain deeper and more timely insight with advanced in-app analytics and AI
- Integrate easily with existing solutions, anywhere and anytime
- Ensure extreme scale and reliability
- Benefit from continuous innovation while eliminating the cost, time, and risk involved in traditional upgrades
- Ensure a highly personal user experience that boosts productivity and effectiveness
- Ensure highest levels of security

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Monte Carlo with low-discrepancy sequences. Term structure models include Ho and Lee, Merton, Vasicek, and Extended Vasicek, as well as three smoothing methods—Straight Line, Cubic Spline, and Quartic Spline. Taken together, these features constitute the strongest transfer pricing and option cost package on the market today.

Leverage in-app analytics and flexible reporting for actionable insights

Oracle Financial Services Funds Transfer Pricing Cloud Service includes deep in-app analytical capabilities and packaged reports that leverage machine learning and artificial intelligence (AI) for faster and more precise decision-making.

The analytical capabilities reflect Oracle's broader strategy of making AI pervasive across its SaaS applications and technology products, while also giving customers who prefer to build their own Analytics the ability to do so.

Extend risk and finance capabilities with shared infrastructure and data model

Oracle Financial Services Funds Transfer Pricing Cloud Service shares a common infrastructure and analytical data model with the Profitability and Balance Sheet Management Cloud Services suite, including Oracle Financial Services Profitability Management Cloud Service, Oracle Financial Services Asset Liability Management Cloud Service and Oracle Balance Sheet Planning and Optimization Cloud Service. This ensures results generated from across the Profitability and Balance Sheet Management suite begin with a common, reconciled data source, providing management with confidence that results are valid and consistent.

Further, the shared analytical capabilities and utilities help to control data quality and provide a consistent approach across applications for assigning business assumptions and accessing shared data for calculations.

Elevate the user experience, boost productivity

Oracle Financial Services Funds Transfer Pricing Cloud Service incorporates Oracle's award-winning Redwood interface design to ensure a modern and elevated user experience. The solution includes a transparent, intuitive design, simplifying rule creation and maintenance, providing business users with critical time to spend on analyzing results and making informed business decisions.

The Oracle Cloud Service difference

Oracle Financial Services Funds Transfer Pricing Cloud Service is a true Software-as-a-Service (SaaS) application that combines industry-leading functionality, rapid implementation, extreme scalability and performance, and Oracle's commitment to world-class security.

The solution is engineered for the cloud, versus adapted for cloud, and it's built on Oracle Microservices Architecture—a platform-first model that incorporates a domain-driven microservices fabric; is true cloud-native, API-first, and ecosystem aware; and supports persona-driven intuitive user journeys. As a result, it can deliver massive scale, simplify integration with other business

Related Products

- Oracle Financial Services Profitability Management Cloud Service
- Oracle Financial Services Asset Liability Management Cloud Service
- Oracle Financial Services Balance Sheet Planning and Optimization Cloud Service
- Oracle Financial Services Cash Flow Engine Cloud Service

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critical applications, and accelerate innovation. Oracle's autonomous cloud infrastructure enables autoscaling and self-healing that improves availability and reduces management burden.

Built on Oracle's highly elastic, reliable, and secure cloud platform, the solution enables you to move faster in deploying new technology and extending business insight, while meeting complex and dynamic compliance requirements. Learn more about the benefits of the Oracle Profitability and Balance Sheet Management Cloud Services.

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