

Frequently Asked Questions

Oracle Financial Services Funds Transfer Pricing

Introduction

This document provides answers to pertinent questions for Oracle Financial Services Funds Transfer Pricing.

Questions and Answers

Scope

Q: What is the product value proposition?

A: Oracle Financial Services Funds Transfer Pricing is an accurate, flexible, and scalable application that applies industry best practice FTP methodologies to understand net interest margin at the most granular level, allowing you to compete for the most profitable customers and avoid unprofitable ones.

Q: What are the market drivers for Funds Transfer Pricing?

A: **Accuracy and Speed:** Organizations are increasingly looking to move to “daily” and “real-time” processing of Funds Transfer Pricing. One of the enabling components required to meet this need is the ability to scale.

Granular TP Rate Assignments: Regulator driven requirements to incorporate pricing for Liquidity into an organization’s business process is driving down the granularity of Transfer Pricing rate assignment to account and customer. This increases the data required to support FTP.

Break Charge Calculations: Breakage charges associated with early termination of fixed rate contracts is becoming increasingly important. Interest margins have become thinner and fee based profit has become more important. Treasury can help drive the business to capture break charges by computing internally as part of the FTP process and charging the business for the related economic loss.

Product

Q: What are the key capabilities of Funds Transfer Pricing?

A: Oracle Financial Services Funds Transfer Pricing allows banks to assign matched term transfer pricing rates to all line items on their balance sheet. It does this by providing a portfolio of industry best practice methodologies and operates on a single, unified and shared data model.

Oracle Financial Services Funds Transfer Pricing helps in measuring profitability across customer, account officer, product, channel, and business lines and enables financial institutions to determine the spread earned on assets and liabilities, as well as the spread earned as a result of interest rate risk.

Q: What are the key features of Funds Transfer Pricing?

A: - Industry leading Transfer Pricing Methods support base transfer rates
 - TP methods available for ALM Forecasting and Budgeting
 - Option, Liquidity, and Breakage Charges
 - Integration of Risk, Performance, Management, Customer Insight, and Financial Compliance
 - Visibility into the components of net interest margin
 - Shared data model and platform
 - Enterprise class scalability

Q: What are the key benefits of Funds Transfer Pricing?

A: - Set of transfer rates for a wide range of financial instruments
 - Actively incorporate risk into decision making
 - Flexibly assign transfer rates to individual customer relationships
 - Develop a deeper understanding of option and liquidity costs
 - Identify break events and compute economic loss
 - Price loan commitments using forward rates and calculate rate lock option costs
 - Easy-to-use interfaces and business logic requires minimal maintenance

Q: Can the application be integrated with third party applications?

A: Yes, Funds Transfer Pricing v8, provides web services that allow 3rd party applications to call FTP results and calculations.

Competitive Position

Q: What are the key differentiators?

Proven Scalability: Oracle Financial Services Funds Transfer Pricing is in production at many of the world's largest banks and is proven to be scalable to very large data volumes.

Flexible Processing: Oracle Financial Services Analytical Applications generally, and FTP specifically, provide users with tremendous flexibility in how they deploy the system. They are able to generate multiple transfer rates against each account, proving full transparency.

Easy to Maintain: Oracle Financial Services Funds Transfer Pricing's user interfaces are easy to use and business logic requires minimal maintenance.

Process Automation: All OFSAA processes can be automated, allowing the processes to run in a "lights out" mode. This is critical when daily processing is required.

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

A: Oracle Financial Services Funds Transfer Pricing shares a common infrastructure and analytical data model with the other Oracle Financial Services Analytical Applications, including Oracle Financial Services Profitability Management, Oracle Financial Services Pricing Management, and Oracle Financial Services Asset Liability

Management. This ensures that results generated from across the suite of analytical applications begin with a common, reconciled data source, providing management with confidence that results are valid and consistent.

The underlying set of tools in the Oracle Financial Services Analytical Applications Infrastructure assists with loading, validating, categorizing, selection, and processing of data. Oracle Financial Services Analytical Applications Infrastructure helps control data quality, and provides a consistent approach across applications for assigning business assumptions and accessing shared data for computations underlying Oracle's Financial Services Analytical Applications.

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

A: **Accuracy, Flexibility, and Scalability:** Financial institutions require accuracy, flexibility, and scalability in their FTP system, which will allow them to adapt to changing requirements.

Availability of Best Practice Methodologies: Banks need to differentiate themselves from competitors by applying best practice methodologies so they can effectively compete for the most profitable customers and avoid unprofitable ones.

Ability to Detect Break Events: Financial institutions struggle to identify break events via internal legacy systems, so they require a solution that will provide the capability to scan current data and identify break events.



Oracle Corporation, World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065, USA

Worldwide Inquiries
Phone: +1.650.506.7000
Fax: +1.650.506.7200

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Hardware and Software, Engineered to Work Together

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