

FINASTRA

Solution

ALM IQ: From defensive posture to engine for growth

A Software-as-a-Service ALM solution for
deeper understanding of the balance sheet and
exposure, for small and mid-size banks



Executive summary

For banks, the challenge to remain competitive is greater than ever in our unpredictable post-Covid economy. Rapid inflation. Fluctuating interest rates. A rising tide of regulation. Add to this the threat posed by new digital players and no wonder institutions find themselves being pulled in many directions at once.

Managing risk is a huge responsibility even when the economic waters are calm. But during times of interest rate volatility, the need for a well-designed Interest Rate Risk for the Banking Book (IRRBB) framework that is properly integrated with Asset and Liability Management (ALM) policies, and which offers a strategic, rather than a static view, is greater than ever.

Yet many banks are locked into rigid reporting cycles based on spreadsheets and manual data workflows. The time and cost of reporting eats into budgets and margins impacting revenues and performance.

At the same time, fragmented data gathering impedes dynamic modeling and the evaluation of different strategies before they have been implemented.

This includes the ability to stress test new products that meet the rapidly changing needs of individuals and business customers.

Faced with a need to streamline and integrate IRRBB, doing nothing is not an option. Tactical quick fixes may offer short term relief, but they offer limited automation and analytics, and impose a heavy maintenance burden.

Introduction

The regulators act fast. Your customers react faster. How do you keep up?

Banks need a more strategic approach with relatively low operational costs and a futureproof compliance framework. At the same time there should be no compromise in the sophistication and quality of balance sheet modeling.

Finastra makes this possible with ALM IQ. This turnkey ALM and liquidity solution is based on Finastra ARC, Finastra's market leading risk and compliance solution. With ALM IQ, banks can manage their banking book risk through ALM and IRRBB, as well as enabling them to comply with regulation including LCR and NSFR.

Tailored to the needs of small and mid-size banks, it can be quickly deployed as a cloud-based, SaaS solution that reduces total cost of ownership by minimizing customization and maintenance.

Above all, it offers a faster, deeper understanding of the balance sheet and exposure, enabling banks to optimize their positions under multiple regulatory constraints. Shielded from risk and able to make confident decisions in shorter timeframes, banks are better equipped to serve the needs of the community including private individuals and small-medium enterprises (SMEs).

Drivers shaping the interest rates environment



Regulatory pressure

- Interest rate risk and liquidity requirements at the heart of regulations.
- Moving away from quarterly paper reporting towards dynamic data-based supervision.



Economic and business landscape

- Global events leading to increased volatility and inflation.
- Rising interest rates inducing significant change in customer behavior.



Downward pressure on profitability

- Increased cost of capital and provisions in the recent regulatory framework.
- Margins squeezed due to increased competition from innovative and fully digitized platforms.

Work smarter, faster: A SaaS banking book solution that is fast to deploy, lowers Total Cost of Ownership (TCO), accelerates reporting and increases competitiveness

Aimed at small and mid-size banks, ALM IQ provides institutions with rapid, deep understanding of their balance sheet structure and risk management position. This includes dynamic modeling and simulation to meet the expectations of regulators and supervisors. This approach also supports the rapid development and testing of new products in response to interest rates fluctuations and other economic drivers.

Delivered by SaaS (software as a service) technology, ALM IQ offers low TCO based on open banking standards that require minimal customization. Updates and new features are automatically added, reducing the pressure on busy IT teams who no longer need to spend time integrating and configuring new modules.

It is also fast to deploy, especially in existing Finastra environments. This best-in-class global solution is tailored to the specific needs of small and mid-sized banks, such as community banks in the U.S., with out of the box compliance tools, a powerful forecasting engine and a flexible reporting framework.

It also helps banks to move their ALM function from a cost to profit center with a holistic view of the balance sheet. In addition, its advanced CF engine generates contractual and stressed projections which supports a fully dynamic approach to modeling and simulations.

Business and risk teams can make confident data-driven decisions based on what-if analysis, reports based on simulations and the ability to compare balance sheet tactical vs strategic best actions.

Above all, it's fast. Automated workflows, combined with powerful risk and regulatory reporting, put critical information at the fingertips of decision makers as well as analysts. Instead of switching between columns, rows and tabs, busy executives gain valuable insights from intuitive dashboards and reports that support better, and most importantly faster decision making.

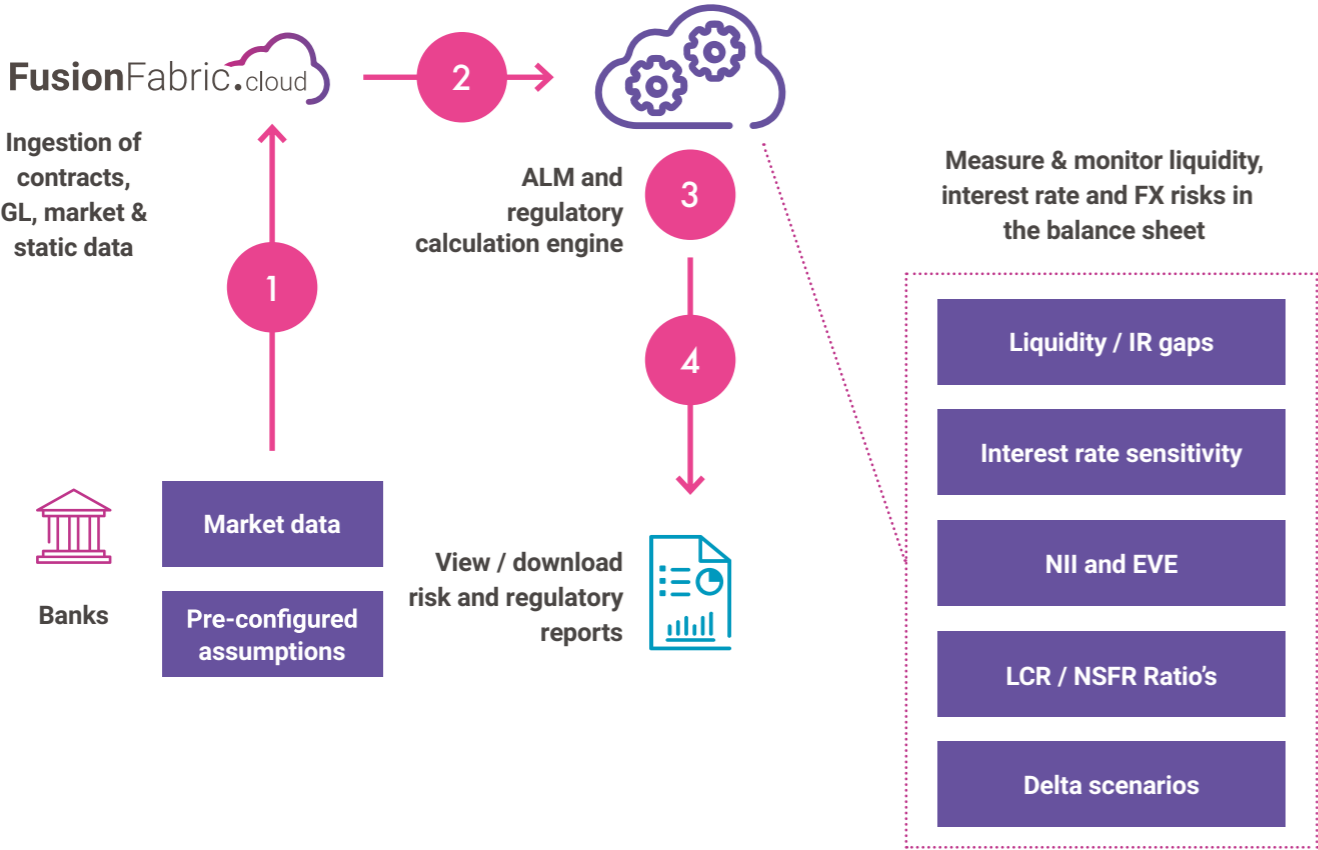
For banks using Finastra core banking solutions, including Fusion Phoenix and Fusion Essence, ALM IQ offers additional advantages. Integration with Finastra's FusionFabric.cloud platform is a given, enabling seamless access to the bank's core data.

Working with a single core banking-ALM solution also brings economies of scale where you only have to deal with one vendor. Finastra's open platform also facilitates the integration of additional modules and other third-party applications.

The Finastra advantage

- ✓ **Regional focus:** Market leading ALM solution tailored to small and mid-size banks.
- ✓ **Standardization:** No customization required; standard reports included.
- ✓ **Platform based:** Scalable, on demand, seamless integration with core banking data.
- ✓ **Fast to deploy:** Open banking approach ensures rapid journey to value.
- ✓ **Predictable costs:** Low TCO, no maintenance, automatic updates (evergreening).
- ✓ **Exponential value:** Activate additional modules from Finastra and third-party vendors.

SAAS Model workflow



Cloud-native, SaaS framework that supports long-term stability and profitability

From data ingestion to deep analysis and intuitive reporting, ALM IQ is a low-cost, future-proof ALM solution that integrates IRRBB principles with ALM policies, thus optimising the bank's risk management framework.

Finastra's open-banking approach means that it is far quicker and simpler to add modules and functionality compared with closed environments from other vendors where extensions and integrations come at a much higher price.



- In addition, ALM IQ relies on stateless services so that solution does not keep the history or any data of the customer, simplifying compliance with data security regulations.
1. Data ingested by the bank's existing core solution, including Fusion Phoenix and Fusion Essence. This includes contracts, general ledger, market and static data.
 2. Consolidated data accessed by the ALM and regulatory calculation engine, which includes generating economic scenarios, behavioral analysis, credit risk scenarios, and new business scenarios.
 3. Highly flexible measurement and monitoring tools provide a holistic view of risk in the balance sheet including liquidity and interest rate gaps.
 4. Visualize data and key metrics via an intuitive dashboard and reports designed for all areas of the institution including CEOs, CFOs and heads of business.

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With ALM IQ, we revolutionize Asset and Liability Management through our advanced SaaS platform. ALM IQ not only ensures compliance but also prepares and drives interactive ALCO meetings, providing banks with a strategic edge. We offer real-time insights and unparalleled scalability, empowering financial institutions to navigate complexity with ease and transform ALM into a powerful driver of profitability and growth.

Hervé Carrère

CPO of Treasury and Capital Markets, Finastra

Analyze the past, monitor the present, prepare for the future

For busy CEOs the challenge is clear. How do you balance the expectations of customers, shareholders and investors against the need to manage interest rate and liquidity risk? And how do you do this at a time of extreme volatility?

Despite the existence of interest rate risk models, many banks lack full integration of IRRBB with ALM policies impeding the bank's risk management framework. There's more to this than just keeping regulators and examiners happy. Determining a credible set of assumptions for your institution is key to putting your interest rate risk model to work at the heart of a strategic planning process.

ALM IQ from Finastra provides banks with the tools to better measure risk, putting them on the front foot when managing and planning for the future. Banks get the best of both worlds: a state-of-the-art ALM calculating and reporting engine plus a streamlined SaaS platform that reduces the pressure on internal technology resources and lowers overall TCO.

Fast, detailed view of balance sheet structure

Deeper understanding of asset and liabilities enables banks to achieve greater efficiency and profitability while reducing interest rate risk.

ALM IQ enables banks to take this balance sheet optimization approach beyond fortnightly ALCO meetings, transforming risk data into a source of non-stop competitive advantage.

Accelerate time to market of new products

Enable heads of business to quickly model and stress test new products that are attractive to individuals and business customers. With interest rates changing on a near monthly frequency, this is an opportunity to turn volatility to your advantage and expand your customer base.

Boost confidence with supervisory institutions

At a glance view of exposure to interest rate risk while revealing the most profitable segments. This proactive approach helps increase the confidence of shareholders and investors when modeling the potential impact of changes to interest rates.

Faster, accurate reporting also facilitates trust with external organizations including the OCC, FHLB and the Federal Reserve.

Rapid deployment

Finastra's environment allows customers to quickly integrate IRRBB principles with ALM policies and optimize the bank's risk management framework.

Reduces operational risk

Through the automation of data input and workflows that significantly reduce manual interventions and reporting errors.

Future-proof, proven platform for growth

Adapt to rapidly evolving risk management expectations from regulators and customers. ALM IQ provides a standardized governance framework and which supports compliance with regulations based on LCR and NSFR.



Finastra, a global leader in advanced banking technology

Finastra is one of the largest pureplay financial software companies in the world. We understand the breadth and complexity of the industry while bringing next generation platforms and engineering talent to Banking as a Service (BaaS) opportunities including embedded lending.

Substantial U.S. financial institutions rely on Finastra mission critical software. As an orchestrator of open finance, we have established partnerships with finance innovators such as Wise, Google, Microsoft and Accenture to jointly deliver BaaS solutions to market.

As well as embracing innovation, our culture and mindset is equally focused on the monetization of financial technology and advanced fintech solutions. We start by helping our partners frame their goals, then quickly act to assemble the right solutions, partnerships and talents that bring your vision to life.

We parallel any development work with identifying go-to-market partners, including financial institutions and fintechs. We are already working alongside more than 9,500 financial providers worldwide, including 5,000 in the Americas to modernize their banking ecosystems. Let us help you build the embedded lending solutions that you and your customers can bank on.

FINANCE IS OPEN

Finastra unlocks innovation across the world
of financial services, through our trusted
software and open platform.

Contact us

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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