IBM Algo Credit Manager

Improve profitability, control and credit outcomes

**Watson
Financial
Services**

IBM

Highlights

- Enhances operational efficiency, analysis and origination of credit with enterprise-wide data management
- Helps improve profitability with comprehensive, end-to-end credit lifecycle support
- Provides embedded support for full ratings approval process
- Enables management of credit risk across the banking book and trading book
- Supports detailed views of exposures and monitoring of limits
- Supports mitigation management and collateral eligibility
- Facilitates control and compliance, providing oversight of potential impacts to the portfolio
- Delivers dynamic dashboard and reporting visualizations
- Offers mobile access for immediate insights and remote action
- Simplifies differing requirements across distributed business lines
- Enhances confidence with a sound solution and trustworthy results

Refocuses on fundamentals: The ROI of end-to-end credit lifecycle management

Banks today, under increasing scrutiny from regulators, seek to advance approaches that will ensure available capital is effectively used. Additionally, under growing expectations from shareholders, banks need to proactively identify potential opportunities and forecast potential losses. To achieve these objectives, many institutions are refocusing on the fundamentals by formulating strategies to improve the profitability of their commercial loan portfolios and minimize losses. They are accomplishing these objectives through investments in IT infrastructure and new software that will better manage risk, decrease operating costs and help drive growth.

IBM® Algo® Credit Manager helps banks meet these challenges by empowering managers to more effectively identify, price, control, monitor and ultimately reduce credit risk. With advanced data management spanning multiple business lines and products across both banking and trading books, this end-to-end credit lifecycle solution can help banks align with regulatory standards for risk data management.

By featuring role-specific interfaces and mobile support, IBM Algo Credit Manager provides decision makers with the capabilities they require to grow their bank's commercial loan portfolios and increase return on capital. These capabilities include dynamic operational controls, enterprise-wide credit risk aggregation and limits management, and exposure insights.
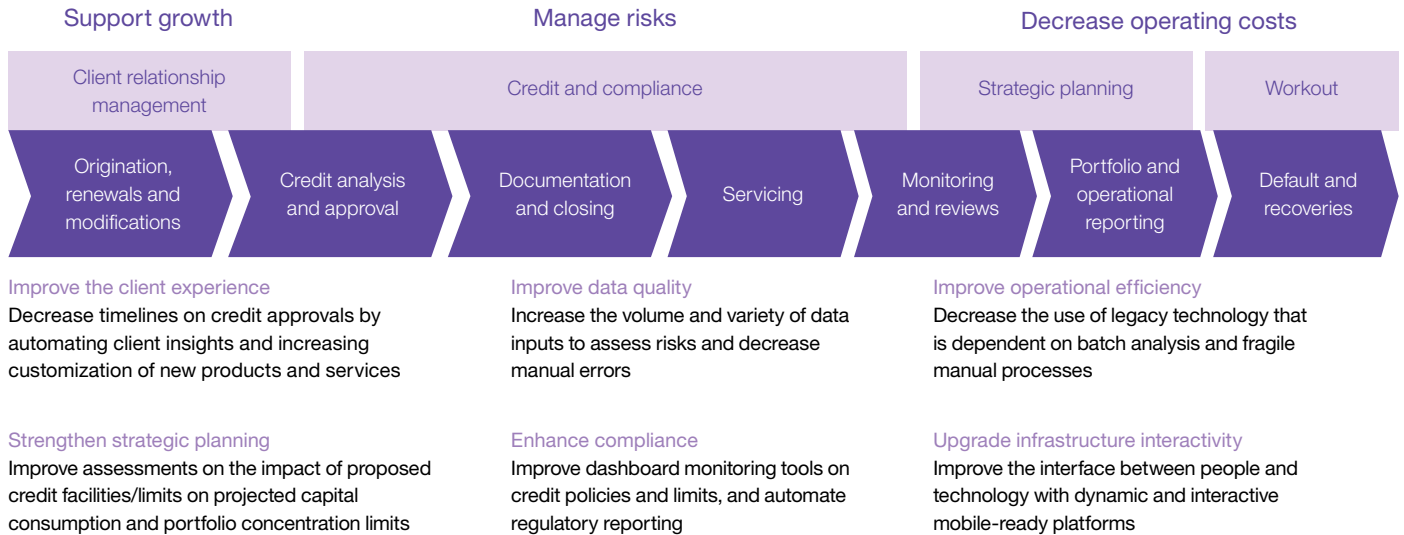
Support growth | **Manage risks** | **Decrease operating costs**

| Client relationship management | Credit and compliance | Strategic planning | Workout |

| Origination, renewals and modifications | Credit analysis and approval | Documentation and closing | Servicing | Monitoring and reviews | Portfolio and operational reporting | Default and recoveries |

Improve the client experience
Decrease timelines on credit approvals by automating client insights and increasing customization of new products and services

Improve data quality
Increase the volume and variety of data inputs to assess risks and decrease manual errors

Improve operational efficiency
Decrease the use of legacy technology that is dependent on batch analysis and fragile manual processes

Strengthen strategic planning
Improve assessments on the impact of proposed credit facilities/limits on projected capital consumption and portfolio concentration limits

Enhance compliance
Improve dashboard monitoring tools on credit policies and limits, and automate regulatory reporting

Upgrade infrastructure interactivity
Improve the interface between people and technology with dynamic and interactive mobile-ready platforms

Figure 1: IBM Algo Credit Manager provides end-to-end credit lifecycle benefits and decision support.

Enhances operational efficiency, analysis and origination of credit with enterprise-wide data management

IBM Algo Credit Manager enhances operational efficiency and customer service with consistent, enterprise-wide data management of credit approvals. By replacing legacy technologies dependent on batch analysis and manual processes, the solution enables more efficient analysis and origination of credit, including generating initial proposals, approvals, renewals and modifications. With electronic storage of supporting documentation at every step, IBM Algo Credit Manager provides an integrated workflow that automatically processes customer onboarding, ratings approval and credit requests through the approval chain and credit committee processes. This method provides decision makers with automated measures and tools for further analysis, such as deal pricing calculators for analysis of the risk adjusted return on capital (RAROC) at each stage.

Improves profitability with comprehensive, end-to-end credit lifecycle support

IBM Algo Credit Manager provides comprehensive, end-to-end credit lifecycle support to help banks grow their most profitable client relationships and mitigate potential losses. From origination and renewals to redemption and workout in the event of default, this integrated solution enables better customer credit relationship management through real-time access to the risk-return profiles of individual clients and portfolios. Proactive alerts and extensive insights empower decision makers throughout the credit lifecycle. These capabilities help them avoid costly losses by enabling swift action on any borrower, counterparty or portfolio segment experiencing credit deterioration. At the same time, they can identify new business opportunities for growth.

Provides embedded support for the full ratings approval process

As increased regulatory demands require transparency of risk-rating assessments, banks are being forced to revisit their internal ratings-based calculations, and approval processes and support. The solution provides the supporting framework for the calculation and maintenance of probability of default (PD), loss given default (LGD), exposure at default (EAD), and expected loss (EL) based on an organization's predefined internal credit ratings model. Combined with this framework, banks can create and maintain dynamic question-and-answer processes, underpinned by granular formulae and lookup tables, to support internal credit ratings processing and approval.

Enables management of credit risk across the banking book and trading book

IBM Algo Credit Manager supports the modeling of complex credit limits and controls, hierarchal facilities, and mitigation structures in ways that address the distinct requirements of both strategic decision makers and regulators. With a consolidated enterprise-wide view of exposure, excess and availability at all levels of the defined facility and portfolio hierarchy, IBM Algo Credit Manager aggregates transactions from operational systems for the banking and trading books to calculate secured and unsecured exposures and transfer risks to third parties. For relationship managers, the solution's Personal Organizer function enables tracking of important milestones in the overall relationship, for example, when covenants are due for review. The Personal Organizer function also allows alerts to be set up to notify managers when reviews are not completed in a timely manner, providing options for managers to escalate and accelerate approvals.
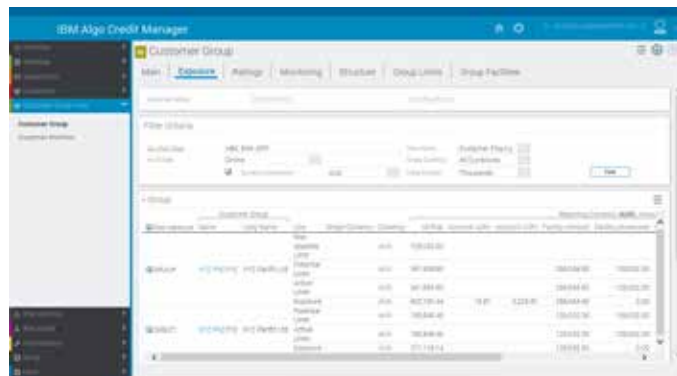
IBM Algo Credit Manager. Role-specific user interfaces help ensure that users have the critical insights they need.

Supports detailed monitoring of exposures and limits

IBM Algo Credit Manager enables risk managers and senior management to set, monitor and manage appetite limits across the enterprise, including client-specific and global limits based on numerous exposure dimensions, such as geographies or industries. These limits can be individually established and approved for an entity, or automatically generated according to specific characteristics, such as client, counterparty and portfolio grouping. Included are options to carve out limits across organizational structures and subordinate entities, sharing parent limits where required. Limits can be further refined across multiple risk types, ranging from those based on notional amounts to more sophisticated measures used for internal risk management. Examples include managing counterparty limits for over-the-counter (OTC) derivatives, or limits based on economic capital for banks to monitor potential risk concentrations in their credit portfolios.

IBM Algo Credit Manager features configurable web-based interfaces to view limits, exposures and headroom by obligor, relationship and portfolio, providing decision makers with full drill-down support to uncover contributing entities and transactions. Exposures are updated according to the timeliness of transactions received from the source transaction processing systems of the bank, taking Master Agreements and other available mitigation into account. Temporary limit adjustments can be applied to address short-term excesses, taking advantage of free capacity elsewhere and providing the framework to identify earnings opportunities across the portfolio.

IBM Algo Credit Officer mobile provides remote access, enabling immediate, risk-informed action.

Supports mitigation management and collateral eligibility

The IBM Algo Credit Manager solution incorporates a mitigant register for the banking book that covers mitigation by lien, risk transfer and margin. This register provides a system of record dedicated to mitigant management in its own right and includes a comprehensive capture of the underlying assets, current and historical market value, and applicable haircuts to be used when determining the loan-to-value (LTV) ratio. The solution also helps ensure the eligibility of collateral when determining secured exposure and any shortfall of collateral for margin-based credit agreements.

Facilitates control and compliance, providing oversight of potential impacts to the portfolio

With processes executed as automated workflow, IBM Algo Credit Manager enhances control and compliance by helping ensure that the right steps are taken in the right sequence. To verify that data is internally consistent, data validation steps can be performed and tracked, recording all comments, changes, and signoff for subsequent review. For example, the solution's data warehouse stores both proposed and approved credit applications, which feed into the analysis of impacts to exposure by country, currency and sector risk. Users are now provided with oversight of potential impacts to their portfolios, and can further evaluate this risk through ad hoc what-if analysis. Checklists can be configured to validate proper completion of intermediate actions before being marked as complete and ready to advance forward. IBM Algo Credit Manager's electronic document repository stores all documentation, and provides banks with a rich functionality to manage document security and retention.

Delivers dynamic dashboarding and reporting visualizations

Through the integration with IBM Cognos® Analytics, the solution enables users to create and manage their own dashboards based on both real-time and historical IBM Algo Credit Manager data from directly within the solution. Users can perform ad hoc analysis across their customers and portfolio by leveraging the large number of dashboarding visualizations available within Cognos Analytics, enabling them to ask questions of their data and receive immediate, insightful dashboard results. The solution also delivers an integrated historical reporting database to support the delivery of management-level reports across their portfolios.

Simplifies differing requirements across distributed business lines

With disparate data and process requirements dependent on business lines and roles within an organization, the solution offers configurable user interfaces or the ability for a bank to design its own interfaces. User-specific views can be created by users, and enhanced through contextual text search and a predictive type-ahead search function. Where banks require white-labelled interfaces, the solution offers support for the global standard representational state transfer (REST) application program interface (API) through the IBM Algo Credit Manager REST Query API. This API enables the creation of bank-specific interfaces while still leveraging the underlying data, engines and processes of the complete IBM Algo Credit Manager solution.

Offers mobile access for immediate insights and remote action

The mobile IBM Algo Credit Officer application supports decision makers when away from the office by offering mobile access, alerting designated approvers to remotely review, approve or take other actions. By leveraging the Cognos Analytics mobile application, users can also view and analyze their portfolios, gaining insights while away from their desks.

Offers cost-effective integration with a bank's existing systems

IBM Algo Credit Manager helps control costs through cost-effective integration with a bank's existing systems. The solution enables firms to integrate almost any data set, and analyze improvements in modeling exposures. It supports a wide range of the latest message-based protocols, as well as batch file formats that are still in use in many institutions. The solution's integration architecture is designed as a consolidation engine for multiple systems. It's equipped to handle the technological challenges of consolidating and tracking every relevant piece of data, and capable of demonstrating this control to regulators with transparent and auditable reporting.

Enhances confidence with a sound solution and trustworthy results

Incorporating decades of IBM risk expertise, best practices and technologies, IBM Algo Credit Manager provides controls and insights to decision makers at multiple levels of a bank. By enabling more efficient management of risk and reward across the credit lifecycle, the solution gives decision makers the support they need to help grow commercial loan volumes and improve profits. At the same time, it helps them protect the enterprise from excessive credit losses.

Ratings and questionnaires

Ratings processes are now integral to the approvals of credit—and traceability is key. Banks need to address regulations, such as IFRS9, which requires expected losses, and ratings are a key component of EL calculations. Algo Credit Manager Ratings Platform provides the supporting framework for the calculation and maintenance of PD, LGD, EAD and EL based on an organization's predefined internal credit ratings model. It enables users to rerate a customer and evaluate the bank's expected losses to this customer, moving seamlessly from analyzing portfolio risk to taking action without leaving the solution. The qualitative process of ratings management is supported by the IBM Algo Credit Manager Questionnaires functionality. The Questionnaires add-on enables organizations to build and maintain dynamic question and answer processes, underpinned by granular formulae and lookup tables, in support of internal credit ratings processing and approval.

Faster and more flexible reporting

With regulators and other stakeholders expecting reliable and insightful reporting quickly, the IBM Algo Credit Manager dashboard enables risk management professionals to create, manage and maintain their own dashboards, and publish structured reports from directly within the solution. The business insights gained from faster and more flexible reporting, empower users to offer better explanations and make more reliable strategic recommendations.

About IBM Watson® Financial Services

IBM is working with organizations across the financial services industry to use IBM Cloud, cognitive, big data, RegTech and blockchain technology to address their business challenges. Watson Financial Services merges the cognitive capabilities of Watson and the expertise of Promontory Financial Group to help risk and compliance professionals make better informed decisions to manage risk and compliance processes. These processes range from regulatory change management to specific compliance processes, such as anti-money laundering, know your customer, conduct surveillance and stress testing.

For more information

To learn more about IBM financial risk and regulatory compliance solutions, visit: ibm.com/RegTech

YTS03065USEN-03

**Watson
Financial
Services**