Frequently Asked Questions
Oracle Financial Services Price Creation and Discovery

Introduction

This document provides answers to pertinent questions for Oracle Financial Services Price Creation and Discovery.

Questions and Answers

Scope

Q: What is the product value proposition?

A: Oracle Financial Services Price Creation and Discovery helps bankers price an asset product or a liability product for a customer while taking into account the customer and product attributes, with the flexibility to select different pricing methodologies to be used across Retail and Wholesale/Institutional scenarios.

Q: What are the market drivers for Price Creation and Discovery?

A: Risk-based pricing has become a standard practice in the banking industry. Banks predict the profitability of a customer based on their risk profile, thus estimating their own exposure to risk to decide the price of the product. In this context, banks need to be empowered with tremendous customer insights to provide differentiated rates that go beyond risk-based pricing.

Customized deals are required to be made for customers so as to provide better service/offers and maximize the profitability of a customer while at the same time acknowledging the existing relationships the customer has with the bank. Better offers for eligible customers help in customer retention and enhancing the relationship.

A goal seeking methodology is becoming increasingly necessary since it focuses on the precise objective that is to be achieved. The objective is generally in terms of profitability.

Product

Q: What are the key capabilities of Price Creation and Discovery?

A: Oracle Financial Services Price Creation and Discovery is intended to be used as a tool to aid a banker in pricing an asset product, a liability product, or a bundle across all enterprise products for a customer while taking into account the customer and product attributes, depth of the customer relationship with the bank and the overall profitability at an account or customer level. The product satisfies the pricing needs of both retail as well as institutional customers through 2 methodologies: Carded and Negotiated pricing. It enables the banker to take into account the Transfer Pricing rate and the capital charge components associated with the deal, along with a projection of expenses, other revenue, and the performance of the customer across all existing relationships (Note: Some data is made available through the OFSAA FTP, Basel Regulatory Capital, and Institutional / Retail Performance Analytics products if the banker does not want to manually enter this specific data) to generate the rate. The rate generated is then saved and available for further analysis and tweaking through What-If analysis.

Q: What are the key features of Price Creation and Discovery?

A: - Utilizes profitability metrics to set targets and goals
   - Ability to select different pricing methodologies
   - Conduct price review and subsequent re-pricing
   - Perform Scenario Analysis using profitability reports
   - Integrates with FTP, Basel, IPA /RPA

Q: What are the key benefits of Price Creation and Discovery?

A: - Price Creation and Discovery encapsulates transfer pricing, capital charge, and relationship profitability
   - Continuously monitors account performance to maintain deal profitability
   - Enhances relationships with customers and promotes customer retention

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- Customer profile based pricing at a granular level
- Defines offers based on the eligibility of a customer

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

A: Yes, the application can be integrated with third party applications. Third party applications that want to leverage the price can do so by invoking a few service calls that are pre-packaged with the Price Creation and Discovery product. If the bank wants to use their existing FTP or Basel products, that integration has to be addressed during implementation.

Competitive Position

Q: What are the key differentiators?

The first differentiating message is flexibility to select different pricing methodologies to be used across Retail and Wholesale scenarios. The methodology is specific to product and a deal may have multiple products with differing methodology.

The second differentiating message is the ability to calculate and incorporate a fully loaded profit and loss prediction for the deal based on the optimized rate and a further capability to conduct scenario analysis for a deal. The ability to select and implement either of the scenarios is a true differentiator.

The third differentiating message is the continuous monitoring of account performance and ability to take corrective measures to maintain profitability of a deal in order to ensure meeting business objectives.

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

A: Oracle Financial Services Price Creation and Discovery can be implemented as a standalone application. However, it can also be fully integrated as a Price

Optimization solution that utilizes Transfer Pricing and associated costs generated by OFS FTP, the capital charges as calculated by the Basel Regulatory Capital application (that predict profitability of the deal by leveraging the projection of expenses), other revenue by IPA/RPA applications, and understand their implications to the overall customer relationship.

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

A: Customers who approach a bank are not similar in profile; therefore, one uniform rate for a product may not be appropriate for all customers. Rates offered to customers must be specific to their profile: customers with a better profile are rewarded more favorable rates while customers with a high risk profile are offered less favorable rates. Oracle Financial Services Price Creation and Discovery offers banks the flexibility to select different pricing methodologies can be used across Retail and Institutional or Wholesale scenarios and utilize Carded or negotiated methods for pricing, depending on the product.

Continuous tracking of customer performance has become imperative. The profitability of a customer has to be monitored and corrective measures must be taken. This needs to be done at a customer level, but the ability to track performance and analyze it at the granularity of an account is required.

Banks need to have an end-to-end view of the parameters influencing a deal. A deal needs to take into account the cost of funds, risk, and profitability. At the same time, the influencing characteristics of the customer need to be accounted for and the placement of these attributes is addressed by segmentation.

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