

Oracle Financial Services Funds Transfer Pricing



KEY FEATURES

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

KEY BENEFITS

- Set 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
- Publish web based daily FTP rate cards for standard products

Oracle Financial Services Funds Transfer Pricing 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 and every customer relationship. This enables accurate assessment of profitability along product, channel, and business lines, as well as the centralization of interest rate risk so it can be effectively managed.

Accuracy, Speed, Flexibility, and Scalability

Oracle Financial Services Funds Transfer Pricing is built around accuracy, speed, flexibility, and scalability. This allows a financial institution to quickly adapt to ever-changing regulatory requirements while providing full transparency into their pricing process. In addition, organizations looking to achieve "daily" and "real time" processing of funds transfer pricing can leverage the application to conduct this. Oracle Financial Services Funds Transfer Pricing has the ability to scale to any volume of data for daily and/or near real-time processing.

New regulations require financial institutions to incorporate pricing for liquidity into their business process, which drives down the granularity of transfer pricing rate assignments. These requirements increase the data required to support funds transfer pricing. This Oracle application generates cash flow based Funds Transfer Pricing, utilizing the most granular data attributes of each individual account record, as well as pool based transfer pricing.

Understand Net Interest Margin at a Granular Level

The 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, such as prepayments

Measuring and managing interest margin offers tremendous profit opportunities. By separating the components of net interest income, Oracle Financial Services Funds Transfer Pricing isolates rate risk into your funding center, where it can be centrally managed. In turn, business units are held accountable for what they can control: pricing and profitability. By flexibly assigning multiple transfer rates and transfer pricing add-on rates, financial institutions have full transparency into the cost of funds calculation. Armed with this highly accurate information, companies make solid, supportable

RELATED PRODUCTS

The following products are also available from Oracle Financial Services Analytical Applications:

- Oracle Financial Services Profitability Management
- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Price Creation and Discovery
- Oracle Financial Services Asset Liability Management Analytics
- Oracle Financial Services Enterprise Performance Analytics
- Oracle Financial Services Retail Performance Analytics
- Oracle Financial Services Institutional Performance Analytics
- Oracle Financial Services Analytical Applications Infrastructure

decisions that lead to increased success. Furthermore, incorporating liquidity transfer pricing into your business process and driving down the granularity of transfer pricing rate assignments will help a financial institution meet regulatory driven requirements.

Oracle Financial Services Funds Transfer Pricing assigns a transfer rate to each customer relationship by applying the transfer pricing technique you specify for the specific type of product. There are thirteen methodologies to choose from, enabling you to match the right method to every product. These methodologies incorporate user-driven transfer pricing yield curves, unique account characteristics, and customized prepayment expectations into the final transfer rate.

Multiple transfer pricing add-on rates allow you to isolate the impact of individual market risks (such as basis, option, and liquidity risk), enabling you to better understand the risk profile of individual instruments, selected portfolios, and the entire organization.

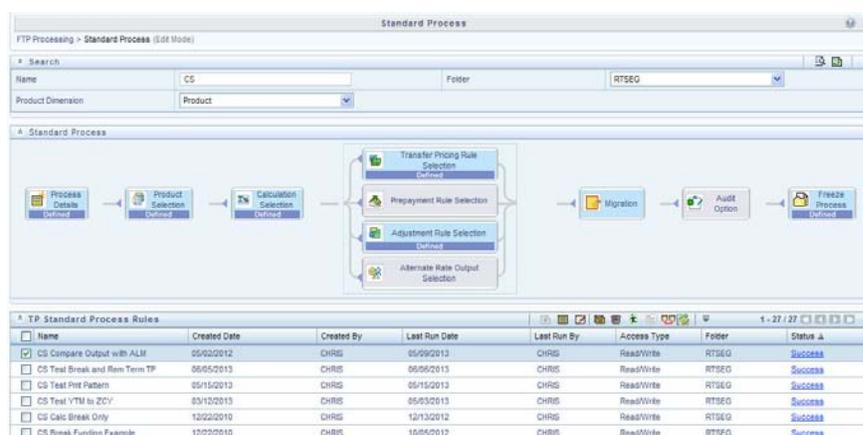


Figure 1. Defining an Funds Transfer Pricing Process through guided rule selection

Detect Break Events to Calculate Gain and Loss

Breakage charges associated with early termination of fixed rate contracts is becoming increasingly important as interest margins become thinner and fee based profits become more significant. Many financial institutions struggle to identify break events via old, internal legacy systems. Oracle Financial Services Funds Transfer Pricing breaks down these barriers and detects break events, allowing you to calculate the economic gain or loss from those events. The benefits of internally charging for break events include:

- Incentivizing the business to minimize fee waivers and recoup break costs.
- Driving the business to capture break charges by computing internally, as part of the Funds Transfer Pricing process, and charging the business for the related economic loss.

About Oracle Financial Services Analytical Applications

Oracle Financial Services Analytical Applications bring financial institutions best-of-breed capabilities to proactively manage Financial Crime, Compliance, Risk, Treasury, Finance and the Front Office. The applications are built upon a commonly available analytical infrastructure consisting of a unified financial services data model, analytical computations, a Metadata driven "R" modeling platform, and the industry-leading Oracle Business Intelligence platform.

A single, unified data model and infrastructure provides one version of the analytical "truth" to business users throughout the entire enterprise. This enables financial services institutions to confidently manage performance, governance, risk and compliance. Shared data, metadata, computations and business rules enable institutions to meet emerging business and regulatory requirements with reduced expenses and the unified platform helps financial institutions to leverage existing investments.



CONTACT US

For more information about Oracle Financial Services Funds Transfer Pricing, visit oracle.com/financialservices or call +1.800.633.0738 to speak to an Oracle representative.

CONNECT WITH US

-  blogs.oracle.com/financialservices
-  facebook.com/OracleFS
-  twitter.com/oraclefs
-  oracle.com/financialservices

Integrated Cloud Applications & Platform Services

Copyright © 2015, Oracle and/or its affiliates. All rights reserved. This document is provided for information purposes only, and the contents hereof are subject to change without notice. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether expressed orally or implied in law, including implied warranties and conditions of merchantability or fitness for a particular purpose. We specifically disclaim any liability with respect to this document, and no contractual obligations are formed either directly or indirectly by this document. This document may not be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose, without our prior written permission.

Oracle and Java are registered trademarks of Oracle and/or its affiliates. Other names may be trademarks of their respective owners.

Intel and Intel Xeon are trademarks or registered trademarks of Intel Corporation. All SPARC trademarks are used under license and are trademarks or registered trademarks of SPARC International, Inc. AMD, Opteron, the AMD logo, and the AMD Opteron logo are trademarks or registered trademarks of Advanced Micro Devices. UNIX is a registered trademark of The Open Group. 0915

