

# Oracle Financial Services Liquidity Risk Solution

OFS Liquidity Risk Solution empowers financial institutions to comprehensively address liquidity risk at a global enterprise level. The solution drives multi-jurisdictional compliance by addressing continuously changing regulatory guidelines. It lays out a flexible stress testing framework with inbuilt counterbalancing capabilities to facilitate the most optimal usage of a bank’s reserves.

## Addressing Regulatory changes through Continuous compliance

To improve liquidity resilience in financial institutions, the Basel committee, introduced the calculation and reporting of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Regulators worldwide, have since adapted the liquidity ratios by refining the Basel regulation to their own jurisdictions, while abiding by the underlying ideology.

Each Regulation comes with its set of nuances and affects granular data and computations. For multinational banks, there are more than one regulator to comply to. Furthermore, the regulations are amended now and then, usually with tight compliance deadlines. It is a challenge for financial institutions to report computations accurately while keeping pace with the flux in regulations.

Oracle Financial Services Liquidity Risk Solution enables financial institutions, to achieve multi-jurisdictional compliance through pre built rules, scenarios and computations specific to each supported jurisdiction. Oracle’s continuous compliance commitment ensures that any change in regulation is quickly translated into the Solution. In addition to the ratios, the solution addresses deposit insurance, intraday liquidity metrics and jurisdiction specific liquidity measures to provide an integrated solution for Liquidity Regulation compliance.

| LCR and NSFR                                     | Jurisdiction specific ratios                                   | Other capabilities                          |
|--|--|---|
| Asset classification and Adjustments             | Minimum Liquid Assets (Singapore)                              | Intraday liquidity management               |
| Regulatory scenario management                   | Liquidity aspects of Regulation YY (U.S. Fed)                  | Liquidity gap calculations                  |
| Legal entity consolidation and ratio calculation | Liquidity Maintenance Ratio and Core funding ratio (Hong Kong) | FDIC 370 calculations and deposit insurance |
| Alternative liquidity approaches                 | FR 2052A (5G) (U.S.Fed)  | Deposit stability and other classifications |

Table 1: Regulatory Compliance with OFS LRS through prepackaged rules and computations

## List of Products in the Solution

OFS LRS is an umbrella solution with a base SKU supported by additional SKUs.

- OFS Liquidity Risk Measurement and Management (Base SKU)
- OFS Liquidity Risk Regulatory Calculations for US Federal Reserve
- OFS Liquidity Risk Regulatory Calculations for European Banking Authority
- OFS Liquidity Risk Regulatory Calculations for Reserve Bank of India
- OFS Liquidity Risk Regulatory Calculations for Bank of Thailand
- OFS Liquidity Risk Regulatory Calculations for Monetary Authority of Singapore
- OFS Liquidity Risk Regulatory Calculations for Bank Negara Malaysia
- OFS Liquidity Risk Regulatory Calculations for Hong Kong Monetary Authority
- OFS Deposit Insurance Calculations for LRM

## Engage in Enterprise-wide Stress Testing and Drive Contingency Funding Plans

In addition to the liquidity regulations, banks need to develop scenarios specific to their own requirements, forecast liquidity needs in such scenarios and develop contingency strategies to address these demands.

Oracle Financial Services Liquidity Risk Solution enables management to understand liquidity under numerous conditions. The application has a flexible Business Assumptions framework which enables scenarios to be defined based on multiple dimensions, magnitudes and at any required level of granularity. The solution projects forward balances, cash flows and calculates liquidity gaps under any scenario. Once liquidity hotspots are identified, specific strategies can be defined and executed to combat them through the Counterbalancing module.

The screenshot displays the 'Counterbalancing Strategy Definition' window. It includes a 'Details' section with fields for Strategy Name, Date, Run Selection, Currency, and Time Bucket Level. Below this is a 'Liquidity Gap Report' table showing Inflow, Outflow, and Gap across various time buckets (Overnight to 6+ days). At the bottom is a 'Counterbalancing Positions' table listing various positions with their respective methods, maturity buckets, and amounts.

| Liquidity Position | Time Bucket | Overnight     | 1-1Days    | 2-2Days    | 3-3Days    | 4-4Days    | 5-5Days    | 6+ |
|--------------------|-------------|---------------|------------|------------|------------|------------|------------|----|
| Inflow             |             | 54,202.93     | 882,889.17 | 768,913.64 | 804,555.98 | 618,947.54 | 645,789.82 |    |
| Outflow            |             | 2,998,124.42  | 313,962.33 | 332,883.63 | 441,408.15 | 393,581.19 | 452,444.84 |    |
| Gap                |             | -2,843,921.49 | 568,926.84 | 436,159.81 | 367,886.93 | 224,366.35 | 193,344.98 |    |

Image 1: Countermeasures to combat liquidity gaps through the Counterbalancing module

## Improve risk disclosure practices

Stringent risk disclosure practices throughout the organization is not just a good policy, but is also the need of the hour. Oracle Financial Services Liquidity Risk Solution helps drive this with an extensive set of dashboard reports built out of a unified data model strictly for the financial services industry.

Oracle Financial Services Liquidity Risk Solution supports an exhaustive set of pre-built dashboard reports with extensive drill-through capability that allows liquidity metrics to be visualized and analyzed at the required level of granularity. The Solution has the ability to scale and handle different demands relating to data volume and granularity, reporting speeds, metrics, formats, and frequency thus helping banks address the diverse reporting requirements of multiple stakeholders.

## Related Products

The following Products support OFS Liquidity Risk Solution

- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Asset Liability Management Analytics
- Oracle Financial Services Regulatory Risk Reporting
- Oracle Financial Services Analytical Applications Infrastructure



Image 2: Pre-configured dashboard reports for liquidity risk

## 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 foundation, analytical computations, and the industry-leading Oracle Business Intelligence platform.

A single, unified data model and integrated metadata framework 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

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