IBM Algo Credit Manager

Highlights

- Single consolidated view of credit risk
- Origination and renewal proposal generation
- Facility and limit modeling
- Automated portfolio, group and customer limit generation
- Integrated credit process management
- Rating and financials integration
- Comprehensive mitigation management
- Integrated document management
- Covenant management
- Relationship profitability analysis
- Default and recovery management

Credit lifecycle management

In an era of unprecedented market turmoil, credit management by financial institutions is being placed under increased scrutiny. Credit policies and controls are being re-examined, with a concentrated focus on credit risk and regulatory compliance. Further, amidst an environment demanding the need to do more with less in terms of capital, both financial and human, further demands are being placed on the credit risk management infrastructure to provide increased value to the organization.

Traditionally, credit processes have been manually intensive and largely paper based, with credit information stored in multiple places, and credit management and monitoring taking place across multiple departments and geographies within the organization. This is no longer acceptable to management or the regulators, as it does not provide a foundation for the availability of an up to date, consolidated, and consistent view of credit risk throughout the organization.

IBM® Algo Credit Manager is designed to manage and control the granting and use of credit across the organization. From the stages of initiation through to default, the solution addresses the critical management and operational needs of providing a transparent view of credit risk at the portfolio, customer group or counterparty level within a single application available globally. By providing a comprehensive source of credit data information, and the features to enhance and monitor internal controls, the solution helps enable financial institutions to support better decision making, remove barriers to growth, and help secure long-term shareholder value. Integrated with risk calculation and aggregation capability, and limits management, the solution covers both the banking and trading book across multiple organizational and geographic boundaries.

Offers complete credit lifecycle support

IBM Algo Credit Manager offers banks a security-rich, web-based framework for complete, end-to-end credit lifecycle support, from proposal and origination through renewal, redemption and workout in the event of default. It provides credit managers with real-time access to a customer's risk profile, enabling them to take swift action on any borrower, counterparty or portfolio segment experiencing credit deterioration or a credit event, without potentially costly losses of time due to data gathering delays.

Efficiently analyze and originate credit

IBM Algo Credit Manager encompasses the entire credit origination cycle, including the initial proposal generation, approval, as well as renewals and modifications. All supporting documentation can be stored electronically and integrated workflow passes the credit request through the approval chain and through the credit committee process automatically. Deal pricing calculators that analyze the risk adjusted return on capital (RAROC) are included.

Monitor credit limits

IBM Algo Credit Manager provides an online interface for limits management and monitoring. Limits can be individually established and approved for an entity, or can be automatically generated according to user-specified customer, counterparty and portfolio grouping characteristics. Specific support is provided to carve out limits across organizational structures and subordinate entities can be configured to share parent limits where required. Configurable user-views are supported to view limits, exposures and headroom by obligor, relationship and portfolio, with full drill down support to contributing entities and transactions. Where limit carve-outs are applied to desk-level, then summary and detailed views by desk are provided. Temporary limit adjustments can be applied to address short term excesses, taking advantage of free capacity elsewhere. Exposures are updated according to the timeliness or transactions being received from the underlying transaction processing systems of the bank, taking proper account of activated Master Agreements and other available mitigation.

Manage mitigation

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

Manage and measure credit risk

The solution supports the modeling of complex credit limits and controls, multi leaf facilities, and mitigation structures in ways that address the unique needs of institutions and regulators. It calculates exposure, both secured and unsecured, from the institutions operational systems banking and financial markets transactions to provide a consolidated enterprise view of exposure, excess and availability at all levels of the defined facility and portfolio hierarchy. A risk review diary function tracks when covenants are due for review, as well as for the overall relationship. Automated reminders can be set up for the relationship manager to help ensure escalation when reviews are not completed in a timely manner.

Manage the portfolio

IBM Algo Credit Manager provides a data warehouse that contains both proposed and approved credit. Through a business intelligence front-end standard reports are included to analyze country, currency, and sector risk together with the ability to generate what-if and ad-hoc analyses. Reporting packs are also available to provide analyses and drill-down into estimated regulatory and economic capital usage, and to analyze large exposures impacted by both the existing active portfolio, the approved portfolio and the "in flight" portfolio awaiting sanction.

Support compliance

Since all processes are executed as part of an automated workflow, the system helps ensure that the right steps are executed in the right sequence. Checklists are configured to support the completion of intermediate actions before a process is completed. Data validation can be performed to verify that data is internally consistent, while all comments, changes, and signoffs are recorded for subsequent review. The system's electronic document repository stores all documentation, and provides rich functionality to manage document security and retention.

Provides consistent credit approval data management

IBM Algo Credit Manager promotes consistent execution of the critical decision points in initiating, reviewing and approving credit. Leveraging IBM's decades of experience in risk analysis, it provides a pre-defined credit logic that can be tailored to each bank's methodology and credit approval process.

Helps enable flexible limit management across the enterprise

IBM Algo Credit Manager provides immediate access to consolidated exposure information, enabling risk managers and senior management to set and manage credit limits across the enterprise, including customer-specific and global limits based on numerous exposures, including geographic or industry. ACM enables limits to be created against multiple risk types ranging from those based on notional amounts to more sophisticated measures used for internal risk management, such as managing counterparty limits for OTC derivatives or limits based on economic capital for banks to monitor potential risk concentrations in their credit portfolio.

Integrated with your systems

IBM Algo Credit Manager has a broad set of interfaces that allow for the import or export of almost any data item. Support is provided for a wide range of message-based protocols, as well as batch files. The system's integration architecture is designed to be a consolidation engine for multiple systems, with numerous features that allow the application to track the source of each piece of data, and support the ongoing integration.

Supports confidence and business growth

IBM Algo Credit Manager helps senior management to develop a reliable control environment, an important fact for growing business volume and profitability, while protecting an institution from excessive credit losses.

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals.

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