

FRSGlobal RELEASES NEXT GENERATION MODULE OF RISKPRO For Advanced Risk Management

Credit Risk – The Next Generation (TNG) module is the latest addition to FRSGlobal’s unified risk and profitability analysis solution, RiskPro. The new version aims at providing banking, insurance and corporate sectors with better risk management insight by enabling them to assess credit quality and credit exposure at the counterparty level. In today’s market situation where most of the companies are holding or have deferred their well intentioned projects due to strong cutbacks on the technology spending, risk management is still a primary goal and has become more important than ever.

‘Sound credit risk measurement is the necessary foundation stone for building an institution. Clients are constantly seeking faster and better ways to manage risk; no more so than following the credit crunch,’ says Thomas Brouwer, head of product management, FRSGlobal. For the company that serves clients across the globe, the new version was mainly an outcome of the feedback received from their existing customers. ‘The marketplace has changed as a result of the financial crisis and research shows that our clients needed extra functionality to address lessons learned. The new technology of our TNG platform and added functionality will give them that extra performance,’ informs Brouwer.

RiskPro solution provides banks an extensive financial product coverage including saving accounts, complex loans and structured products. An easy-to-use and highly flexible modular



Thomas Brouwer

software platform, RiskPro is made up of nine key modules: Credit Risk, Market Risk, Liquidity Risk, ALM, Basel II, IFRS, Solvency II, Funds Transfer Pricing and Economic Capital that allow the internal and external calculation and reporting requirements in financial risk analysis. ‘The market today needs ever more exacting portfolio risk analysis which involves both market and credit risk factors, and the design of FRSGlobal RiskPro enables it easily,’ says Brouwer.

The platform utilises a three-tier, client/server architecture in which the user interface, functional process logic, computer data storage and data access are developed and maintained as independent modules, using J2EE and Web 2.0 technologies. Credit Risk TNG module of RiskPro has been enhanced by adding four key components namely, Credit Exposure

Measurement, Expected Loss Measurement, Credit Portfolio Risk Measurement and Stress Testing. The TNG version of the RiskPro Credit Risk module is essentially based on the Fast Fourier Transform (FFT) algorithms for increased speed and the efficient sampling techniques in order to achieve best results. ‘The addition of our Expected Credit Loss and Credit Portfolio Risk components ensure high accuracy and address the industry need for fully integrated analysis in respect to Economic Capital calculations,’ says Brouwer. The Expected Credit Loss component is an accurate analytical solution that calculates the cost of the expected losses due to credit risk and the expected lost cash flows of a contract due to credit risk. ‘The highly performant methodology behind the component analyses the expected loss of financial contracts on a model encompassing all risk factors using the Edgeworth expansion formula that ensures high accuracy, high performance and addresses the industry need for integrated analysis,’ he explains.

In 2008, FRSGlobal had acquired Iris Integrated Risk Management AG (IRIS), a provider of risk management solutions. IRIS’ RiskPro solution, an integrated financial analysis system was combined into the FRSGlobal’s risk solutions as a result of this acquisition. ‘The reason why FRSGlobal acquired IRIS was that regulators were demanding an increasing amount of risk management data in the regulatory reports as a direct result of the credit crunch.

FRSGlobal acquired IRIS to create a unified risk and regulatory platform,' informs Brouwer. 'At the time of acquisition, IRIS was already in the process of developing a new version of RiskPro on a new technology platform which was later completed by FRSGlobal by enhancing the tool's DataFoundation (data model) to store information from RiskPro creating the unified platform - The Next Generation (TNG). Each of the risk modules is being upgraded to the TNG platform and includes the most up-to-date functionality,' he adds.

FRSGlobal partners with Avanon, Axe Finance, Banksoft, Bearing Point, Fiserv, Halperin, KPMG, Lufthansa Systems Poland, Neoflex, Prospero, RCS, and RiskMatize (RMI) to provide its RiskPro solution across different geographies. Commenting on the company's strategy on developing and working with various solution partners to provide their risk and regulatory products, Steve Thurley, vice-president, Asia Pacific and Japan (APJ) says, 'Our partner relationships provide local expertise and solutions in specific markets, extending and complementing our global reach with the same standards in service



Steve Thurley

and functional excellence. Solution partners maintain our solution in the countries in which they operate and may also provide clients with additional specialist risk and regulatory solutions for the local market.'

Brouwer believes that there are many challenges facing firms worldwide today, but in terms of credit risk, the risk of financial loss due to an unexpected deterioration of counterparty's credit quality has played a significant role in the majority of financial crises to date, which

makes it a crucial factor to be able to measure and manage. FRSGlobal also recently announced that another major global investment bank has selected its RiskPro solution. Under the contract that covers worldwide accessibility and global delivery capability through local presence and international teams, the solution will be deployed initially in three countries; Japan, Indonesia and India. 'The bank selected the RiskPro solution as it is fully integrated and can provide them with bank-wide cash flow projections across all areas of risk,' says Thurley.

The company has strong plans to strengthen its business in the APAC region. 'In Asia our country solutions for regulatory reporting are up to eight. Today we offer Singapore, Hong Kong, Taiwan, China, Australia, India, Indonesia and Japan. In addition to this we also offer the Capital Adequacy Reporting (CAR) for India, Hong Kong, Singapore, Japan and these have been made much simpler with our new RiskPro offering. We also now have new clients in Taiwan and China and have seen projects go live in 2009. Our headcount for 2010 looks to be increasing again across the region,' says Thurley.