BEST PRACTICE: INTEGRATED STRESS TESTING

ACHIEVING TRUE INTEGRATION AROUND CASHFLOWS

A Bank established less than 10 years ago has been able to enjoy tremendous growth, reaching nearly $30 billion in assets since it was formed. Because of this growth, the Bank became more complex and regulatory requirements expanded, creating the need for better standardization and collaboration among the Treasury, Finance, Planning and Accounting areas.

PROBLEM

The Bank determined several different cash flow models were being used for similar analytics, causing them to waste time and report inconsistent results. There were three primary issues the Bank wanted to address:

1. The proliferation of analytical tools in use at the Bank had created significant redundancy of data and assumptions. Time was being wasted on reconciliation and inconsistencies were beginning to surface.
2. A heavier focus on credit modeling required integration with a third party's assumptions, which the Bank's current solution providers could not support.
3. There was a disconnect between the ALCO and budgeting processes.

SOLUTION

ZMdesk™ from ZM Financial Solutions (ZMFS) was selected to address these issues. ZMFS found the ultimate resolution was to reorganize the Bank's systems so they could:

- Model at the record level;
- Mix default (behavioral) models at the record level;
- Tag each record with the appropriate ALM, DFAST, LCR and Budget account;
- Mix assumptions depending on desired outcome/report;
- Store individual cashflows and results; and
- Roll-up individual cashflows and results to meet the task at hand.

The Bank commented they had explored several options and ZM Financial Systems was mentioned by numerous sources in the industry as a strong player. As the evaluations progressed, they began to recognize more and more ways to take advantage of the ZMFS platform.

RESULTS

Today, the Bank now has a fully unified platform with consistent data and strong data governance. Uniform data and integrated behavior/credit models generate consistent cashflows for different types of financial analysis and risk management. Third party credit models flow into regulatory capital calculations and credit-adjusted portfolio targets. These drive allowance for loan loss calculations before being paired with legacy ALM. This results in the Balance Sheet and Income Statement, which is automatically output into the DFAST 10-50 report.

Additionally, ZMFS committed to build a number of enhancements unique to the Bank that were delivered during implementation. The Bank began implementing ZMdesk in the fall of 2015 with a go live timeline of four months. Given the scope of this project and the many areas that would be impacted at the Bank, a dedicated Project Manager was assigned to monitor and guide these efforts.

The Bank began using ZMdesk live in early 2016 for ALCO and has continued to expand its usage over time into other areas. By the end of 2016, 20 users from seven departments relied on ZMdesk for results. In 2017, that number grew to 25.

LEARN MORE ABOUT OUR INTEGRATED STRESS TESTING SOLUTIONS

Contact us today to learn more about our solutions to complex financial problems:

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About ZM Financial Systems

ZM Financial Systems brings practical solutions to complex financial problems, offering complete solutions in securities and fixed-income analytics, credit-adjusted ALM, liquidity, risk management, budgeting and funds transfer pricing. We also offer large bank solutions to meet the evolving regulatory risk reporting requirements. With roughly 2,000 institutions depending on ZMFS products/analytics to identify, measure and monitor risk and value in their balance sheets, we are one of the fastest growing financial software companies in the U.S. Founded in 2003, ZMFS is a privately-held corporation headquartered in Cary, N.C. In addition to the 25 percent of our staff who have PhD's in the advanced quantitative field, our development and product support teams all have experience in the finance arena. Because our teams continuously collaborate, we can quickly navigate complex solutions to complete client-requested enhancements in days or weeks, versus months or years. Delivering state-of-the-art risk/reward analysis tools, such as ZMdesk, OnlineALM.com™, OnlineBudgeting. zmfs.com™ and ZXBondSwap™, our clients are empowered to uncover hidden risk while maximizing performance; test lending, investment and funding strategies; and respond to various regulatory requirements while efficiently delivering actionable information.