Consolidation of Data no Longer an Arduous Element of Risk Reporting

Obtaining accurate data on a timely basis sounds like a simple request, but in today's risk management arena, immediate access to large amounts of data that is shared between many different departments and applications can be quite difficult.

Regulations such as Sarbanes-Oxley and Basel II have exposed significant issues with regards to the risk infrastructure, and in particular, to data management. These regulatory initiatives place an enormous strain on the legacy systems in many financial institutions since both credit risk and operational risk data must be gathered from multiple systems. A major challenge is pulling data from disparate systems that are located throughout an organization and placing it into one central data warehouse.

Thus the most pressing issue facing financial institutions is data. Systems must be upgraded and aligned to facilitate data handling and ensure consistency and integrity across an organization. The lack of data, the difficulty of identifying the correct data, integrating and managing the data, carrying out sophisticated analysis and creating reports are some of the compliance challenges that must be met.

Why is Data Consolidation Important?

Companies that are developing a comprehensive risk management platform need to plan for several fundamental initiatives and strategic approaches to their enterprise architecture. Risk-related information needs to be instantaneously available to risk computation applications and consumers of risk information. Information needs to be aggregated from several different sources to integrate factors affecting credit, market, and operational risks and should be shared and able to flow between applications and departments. In addition, systems must be able to handle large data volumes and computations to support sophisticated financial engineering tools. "What is also needed is a database solution where end users have the control to extract data. This will cut down on the amount of time that IT spends responding to requests and, more importantly, provide end users more control and autonomy," explains Steve Cotter, Senior Vice President IT, PB Capital Corporation.

Components of the Needed Solution

A comprehensive software solution is therefore needed to address all the various aspects of data management for measuring and monitoring risk. Specially, what is needed is a solution that provides the following features:

- Proactive data management and email alerts to data keepers and auditors on missing data, discrepancies as well as changes and movements in data.

- Ability to collect and aggregate data from multiple data sources - whether they are external, internal or online.
- Ability to generate reports that have cross department information.
- Scalability to accommodate an increasing number of users.
- Ease of customizing, maintaining and monitoring data.
- Infrastructure that allows for data storage for auditing purposes.
- Simple creation of a comprehensive and dynamic database from legacy data feeds, spreadsheets and online streams.
- Ability to meet compliance demands for investor and regulatory transparency.

One Solution

Credit Data Integration (www.cdiright.com), a software products and solutions provider of decision support tools for data and risk management, has developed the first off-the shelf solution that provides such a platform. CDI's Integrated Risk Management Tool (IRMT) provides the tools to effectively and quickly bridge the gap between the credit, market and operational data that exist in various internal systems to data from external sources and importantly, to and from risk analysis models and tools. Management can now create customized reports and perform sophisticated risk analyses since they have access to accurate and timely data.

This solution enables portfolio or asset managers to analyze, scenario test and produce timely summary and historical performance reports of their credit risky portfolios. "For anyone who needs to put a database together, this can be a simple project that grows over time and is flexible to bring additional information online," stated Sam Halaby, CDI's President.

Organizations now have a solution to gather, consolidate, analyze, report and format portfolio related information. Financial institutions benefit from a single access point to reports, data extraction, account aggregation and greater transparency on all costumer related activities. In addition, risk managers have the ability to visually shape data by constructing views with automatic aggregation, integration with analytical models for calculating and aggregating revenues, return on capital, yields and risk costs, the ability to proactively manage portfolios by triggering emails on portfolio events, and the ability for users to construct views and reports on exposed data. Stephen Larson, former Senior Vice President, Risk Management of PB Capital Corporation, explains, "It gives one the ability to quickly wrap their arms around a portfolio."

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