



REUTERS/LUKE MACGREGOR

# THOMSON REUTERS TOPOFFICE LIQUIDITY RISK MANAGEMENT

GET READY FOR THE NEW FSA LIQUIDITY REPORTING REGIME



THOMSON REUTERS™

# GET READY FOR THE NEW FSA LIQUIDITY REPORTING REGIME

There's little time left to prepare for the FSA's rigorous new liquidity reporting regime. It's an urgent and complex issue for financial firms. However, a sound approach to liquidity risk management will enable firms to satisfy the regulator and boost their efficiency, without the need for a significant IT project.

## ARE YOU READY?

The end of Q1 2010 is a very significant milestone for financial institutions operating in the UK. From this date, systems and controls must be in place to manage the FSA's exacting new requirements in relation to liquidity risk management.

The FSA Consultation Paper 09/13 provides an updated timetable for implementing the new liquidity regime. The scale of this regulatory change should not be underestimated. The FSA expects more than just compliance. It is a complete cultural transition, as FSA CEO Hector Sants recently commented, we are:

"...effectively moving from regulation based on facts to regulation based on judgements about the future."

Q3 2009	Publication of policy statement on new regime
Q4 2009	Rules and guidance come into effect
Q1 2010	New reporting requirements go live

By 2010, the FSA will require extremely granular reporting on a firm's liquidity position on a monthly, weekly or even, in crisis situations, on a daily basis. To deliver this, the FSA stipulates that banks and building societies will need:

- a robust framework to project cash flows arising from assets, liabilities and off-balance sheet items over appropriate time horizons
- processes in place to capture all sources of contingent liquidity demand; all currencies in which the firm is active; and where relevant, a firm's correspondent, custody and payment and settlement activities
- limits to control the firm's liquidity risk exposure within and across lines of business and legal entities
- early warning indicators to identify the emergence of increased liquidity risk or vulnerabilities
- reliable management information systems to provide its governing body, senior managers and other appropriate personnel with timely and forward-looking information on the firm's liquidity position

Making this happen is a significant technical and organizational challenge for banks. It will mean:

- aggregating the data in both the trading and banking books
- significant system development for larger banks to ensure like-for-like aggregations are achieved across different trading platforms and front-office systems
- accessible and explicitly quantifiable netting arrangements and covenants that determine what happens to an instrument in stress conditions
- bringing together the business logic in different valuation, risk simulation and reporting engines

The status quo – where trading happens in real time whilst the middle and back offices act on a 'batch' basis – is no longer viable. With only months before the new FSA requirements kick in, a new approach is needed fast.

The Thomson Reuters approach will enable firms to meet these new requirements cost effectively and comply in time:

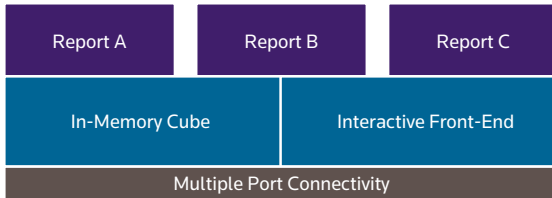
## THOMSON REUTERS TOP OFFICE SOLUTION

The Thomson Reuters Approach:

- **re-using the front-office calculations** – and providing incremental real-time updates to the resulting information
- **transforming data from multiple sources and routing it to configurable destinations** – it's very different to a 'data warehouse' approach, which is affected by the underlying source of the data
- **risk computations that use flexible business logic** – to achieve cross-asset risk coverage
- **flexible data storage** – to determine which items to store in pre-aggregated form and also to allow fast access to the underlying information
- **flexible reporting** – that allows for 'what if' modelling from multiple users as well as the functional reporting demanded by regulators

Only this flexible approach will provide the day-to-day view of liquidity and funding exposure demanded by regulators. And only this type of response will enable banks to hit the FSA's demanding timelines.

REPORTING



THOMSON REUTERS TOPOFFICE LIQUIDITY RISK MANAGEMENT

Thomson Reuters TopOffice not only meets the new FSA reporting requirements, it also provides the liquidity risk management tools that will enable firms to make sound business judgements. It's a market-proven, holistic risk management framework for intra-day aggregation and management of risk exposure across both the banking and trading books.

TopOffice liquidity risk management is built on a scalable architecture with a powerful data integration engine, so it can connect quickly and economically to the firm's existing data sources including front offices, legacy systems, models, feeds, and risk engines.

AT A GLANCE

- Integrated risk monitoring over multiple front-office systems
- Asset and liability management for all major risk categories
- Bank-wide performance and risk-return measurement across all portfolios – banking, trading, structured - with integrated balance sheet, P&L, IFRS and risk reporting
- Liquidity risk stress testing and reporting
- Integration of FSA Liquidity Risk Reporting Requirements

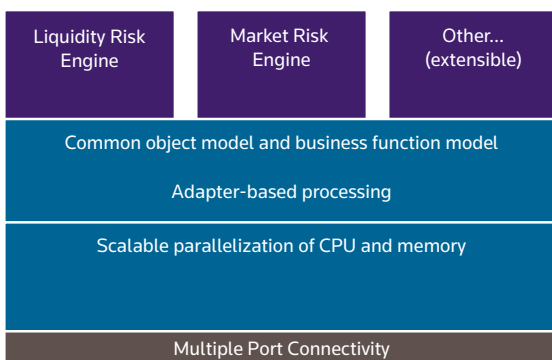
FEATURES AND BENEFITS

- A single enterprise-wide view of a bank's performance across the entire balance sheet including market, credit and liquidity risk
- Intra-day analysis of global liquidity risk exposures with drill-down capabilities to identify the sources of risk
- Ability to perform stress testing as well as scenario analysis to identify sources of potential liquidity gaps
- Consistent risk and P&L views across multiple front office and data sources
- Pre-defined reports and pre-configured templates to speed implementation
- Robust data integration and data management capabilities. Point and click data mapping; no coding

ROBUST REPORTING

- Interest Rate Risk calculation and analytics with Total Return Assessment
- Daily short-term and long-term liquidity position and stress testing
- Forecast cash flows based on market assumptions of Rate of Changes to interest rates (priority is consolidation of all positions from subsidiaries)
- Daily calculation of liquidity risk limits
- Scenario/simulation analysis of treasury funding risk and diversity
- Daily reporting and monitoring of all transactions and consolidations of affiliates and subsidiaries
- Assessment and Reporting of Customer and Product Behaviours

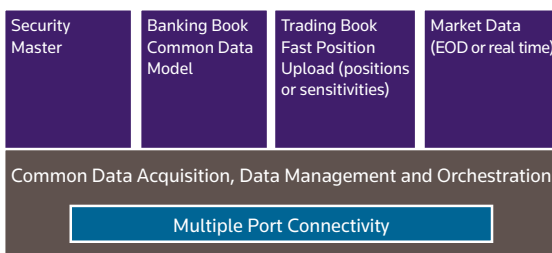
RISK COMPUTATION



AGGREGATION AND STORAGE



DATA ACQUISITION



Thomson Reuters have pre-packaged TopOffice to enable rapid deployment to not only meet the FSA's aggressive regulatory regime and timelines but also ensure a low TCO.

This package includes:

<b>FSA REGULATORY REPORT TEMPLATES</b>	FSA047 (Daily flows)	✓
	FSA048 (EMR – standard)	✓
	FSA049 (EMR – Simplified)	✓
	FSA050 (Marketable Assets)	✓
	FSA051 (Funding Concentration)	✓
	FSA052 (Pricing Data)	✓
	FSA053 (Retail and Corporate Funding)	✓
	Currency Analysis	✓
<b>INTEGRATION WITH THE FSA GABRIEL SYSTEM</b>	Top Office will be preconfigured to upload regulatory data direct to GABRIEL	✓
<b>REQUIRED SOURCE DATA TEMPLATES</b>	Pre-specified data requirements	✓
<b>TOPOFFICE DATA INTEGRATION CONNECTORS</b>	Top Office “Point-and-Click: No Coding” data integration and transformation technology	✓
<b>DATA CLEANSING</b>	Data validation and Cleansing Tools	✓
<b>MANAGEMENT REPORTING</b>	Intraday Reporting & Scenario Stress Tests	✓
<b>GUIDANCE THROUGHOUT THE PROJECT TO ENSURE PROJECT SUCCESS</b>	Well defined implementation approach. Experts to enable a firm to define their Individual Liquidity Adequacy Assessment	✓

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