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Solution overview

# OneSumX for Basel

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Basel IV is a regulatory framework that helps banks meet goals beyond regulatory compliance. By calling on banks to examine risk in creative and demanding ways, it forces them to rethink their strategies and business models, ultimately allowing them to enhance growth, competitiveness and profitability – if they manage their organizations and their data well.



# OneSumX<sup>®</sup> for Basel: A holistic, integrated solution that combines data, calculations and reporting to help you stay compliant with UK Basel 3.1, EU CRR3 and Basel IV implementation, and reporting timelines.

The latest Basel reforms introduce challenges throughout your institution. The Compliance department will need to collect a broader range of data to apply the required calculations, taking into account interdependencies among risk types. The Risk department will need to factor the constraints imposed by Basel IV into the risk and business optimization process to examine operations under normal conditions and create simulations at a moment's notice during a crisis. Capital and balance sheet optimization for complex entity structures will be critical for proper capital adequacy monitoring and management.

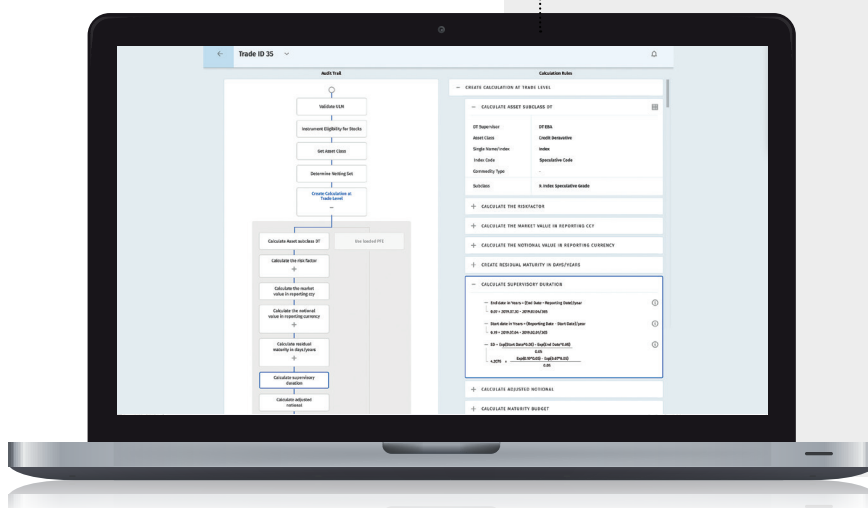
Once your teams have access to improved data management capabilities and integrated key functions to produce a clearer picture of complex risk relationships, these enhanced capabilities can be employed to address commercial needs, such as the optimization of the balance sheet to fit certain risk appetites and financial performance goals, while staying within regulatory constraints.

Compliance with Basel IV is not optional, but you do have choices when it comes to leveraging the framework and its practices for your business. Supported by the right data management architecture, you will gain a critical edge over your competitors. The current heightened macroeconomic and geopolitical risks, challenge your institution to urgently improve its systems. What you may need most is greater flexibility and speed to continue growing revenues amid the more rigorous regulatory backdrop. Investing in this, will allow your business to grow into a more competitive player with sustainable growth.

## OneSumX for Basel

With OneSumX for Basel you manage the end-to-end Basel IV process from data integrity and lineage, through to finance and risk management, and into regulatory calculators and reporting.

Lineage explained



## Balance and integration

The need to balance critical factors under Basel IV is most apparent with regards to capital requirements, especially for larger, more complex institutions. If an internal-ratings-based model is applied, it must maintain a ratio of capital to risk-weighted assets of at least 72.5% of the requirement calculated using a standardized approach. Having to meet a more stringent output floor than under earlier Basel guidelines, organizations are having to rethink their strategy to focus more intently on forward-looking capital projections and scenario analysis to optimize the cost of doing business, helping to retain competitiveness, and maintain profitable business growth. These new complexities are putting regulatory reporting teams and existing risk infrastructures under additional pressure. Other factors, including the sourcing of more granular data, dealing with more calculation trials, and increased demands on external and internal reporting will put further stress on firms' resources.

A strong focus on data integrity will be needed to deliver the traceability, transparency, lineage and clarity that yields business-relevant information.

Investing in data accuracy and sophisticated analytics – built into architecture that facilitates the integration of risk, finance and compliance functions

– will allow your teams to make timely, well informed decisions to help manage risk more effectively, and optimize revenues while meeting compliance and reporting obligations. Amid the more onerous demands of Basel IV, taking an integrated approach to implementing the new regulations, covering enhanced data management, high-frequency calculations and stress testing, as well as reporting accuracy, will enable your organization to apply its regulatory work to gain a business edge.

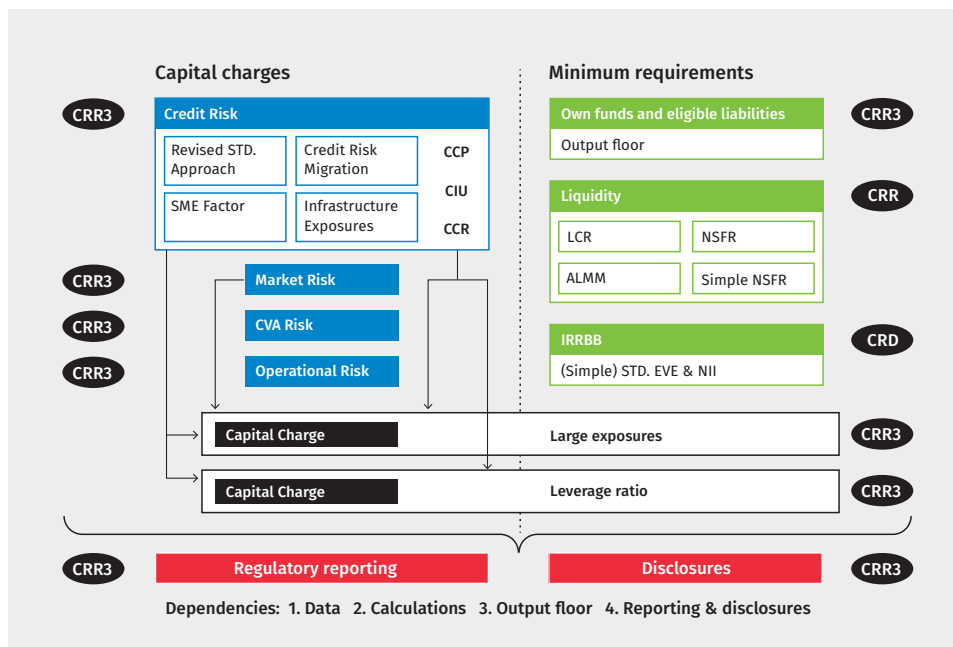
## The data dilemma and the solution

As Basel IV comprises first and foremost of a set of prudential regulations, achieving compliance with these becomes any financial institution's primary obligation. The framework's rigorous prescriptions – daily monitoring, enforcing of requirements throughout the process flow, as opposed to only at the end – demand that the same data be used across risk types, especially given the many interdependencies (see Fig. 1).

Another critical data management element is a robust finance and risk platform in which prudential risk calculations are fed into the relevant disclosures and regulatory reports. Institutions also must be able to monitor changes to the regulations and keep track of their impact through auditability and data lineage functions. With OneSumX for Basel you receive a fully compliant,

*OneSumX for Basel takes an integrated approach across multiple disciplines. It facilitates the balancing act of managing risk, meeting regulatory requirements and optimizing profitability.*

Figure 1: Basel IV impact: Example of European Union



end-to-end Basel IV process from data integrity and lineage, through to finance and risk management, and into regulatory calculators and reporting.

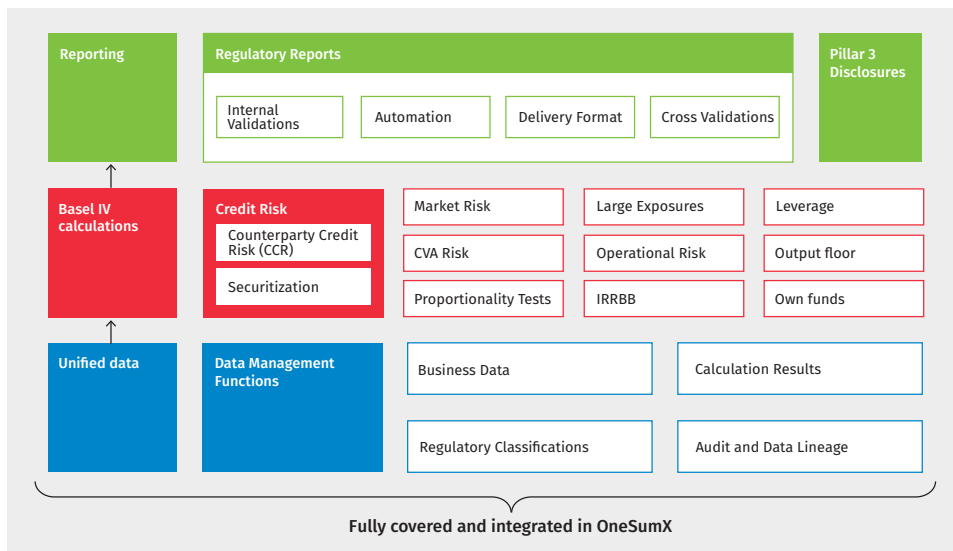
Stress testing regimes require banks to execute multiple calculations automatically and immediately. This has led to organizations routinely creating multiple scenarios and conducting sensitivity analyses on a single indicator. OneSumX for Basel simulates risk-weighted assets based on several scenarios and, through advanced analytics, helps senior management understand the nature of the capital charge more effectively, including how it

behaves under stress and how it affects a business segment's profitability.

The intuitive, user-friendly results display allows easy utilization of information produced for regulatory compliance to improve business decisions. The solution can handle regulatory calculations from different perspectives to optimize the process for compliance, finance and risk users alike, affording the ability to do stress testing and dynamic simulations to furnish more insight into key performance indicators for finance and risk.

*Investing in data accuracy and sophisticated analytics – built into architecture that facilitates the integration of risk, finance and compliance functions – will allow your teams to make timely, well informed decisions to help manage risk more effectively, and optimize revenues while meeting compliance and reporting obligations.*

**OneSumX for Basel IV – an integrated approach across multiple disciplines**



# How to tackle Basel IV step by step

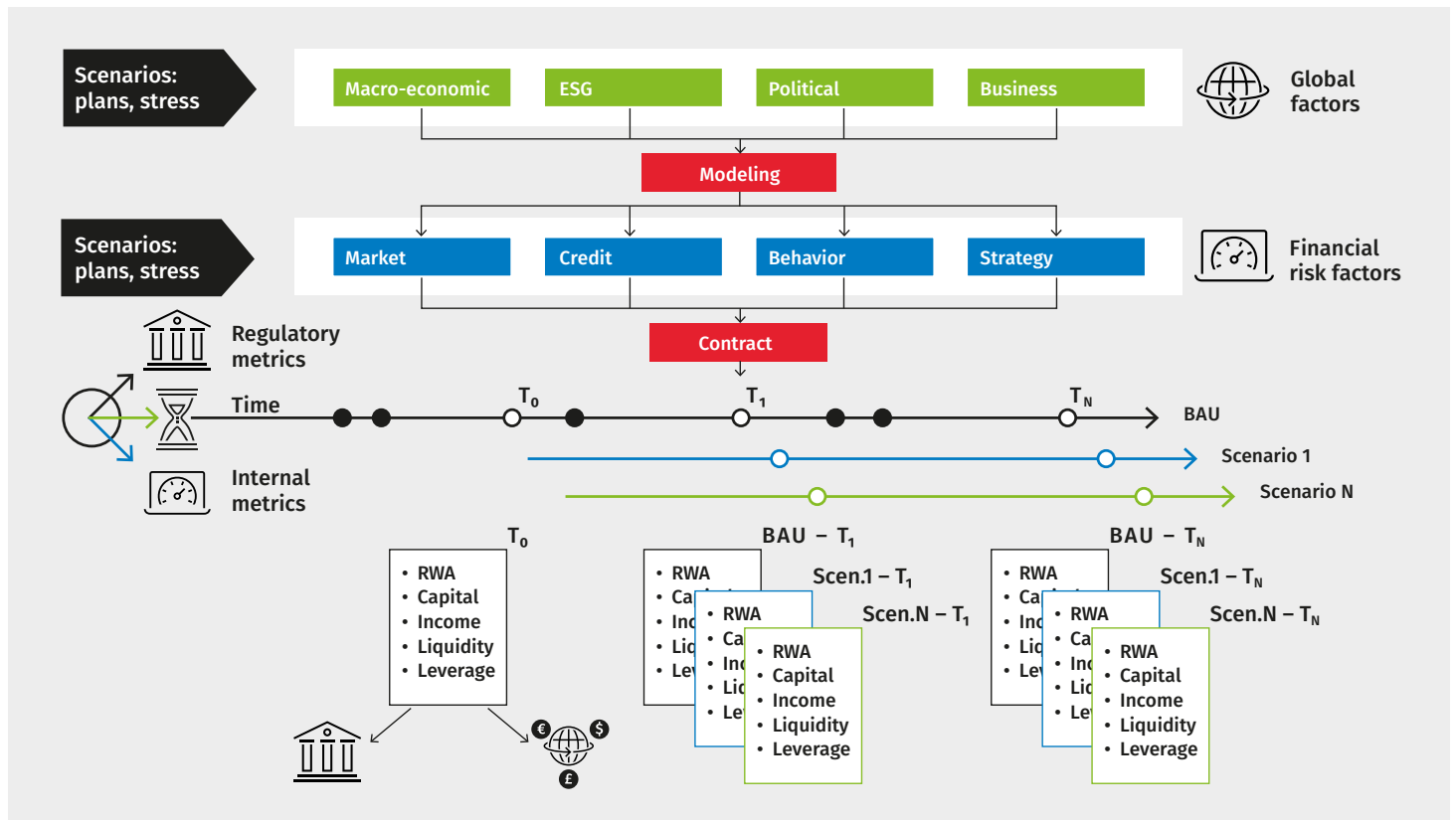
The features of the OneSumX for Basel solution are designed to help your teams manage the massive regulatory initiative. With its speed, flexibility and comprehensiveness, the modular solution is set up to allow institutions to meet the demands of regulators and give them an edge over competitors.

## Data management

An essential element of meeting Basel IV objectives is to ensure that data is validated, consistent and complete across all risk types. Our solution enables your teams to transform data from business vocabulary into the different finance, risk and regulatory vocabularies used within your firm. Having all your risk data in one place is crucial for a smooth Basel process and risk reporting.

Data of unassailable quality eliminates the need for manual adjustments and reconciliation. These cumbersome, time-consuming tasks distract key people from their vital risk management work; this holds especially true for complex institutions having to calculate and report vast sets of Basel IV figures to multiple authorities across different levels of their legal entity hierarchy.

Figure 3: An integrated approach to Basel IV





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*An integrated view of internal and regulatory metrics, risk reporting, scenario projections and strategic planning ensures reliable and efficient risk assessment, management, and reporting.*

#### **Cash flow and exposure analysis**

OneSumX for Basel allows you to calculate contractual and stressed cash flows on a granular level for use in conventional analysis and in simulations – adjusted for credit, market, behavioral and idiosyncratic assumptions. Embedded within the enterprise-wide risk application is a feature for exposure analysis for internal use to manage the risk portfolio. Repricing gap, fire-sale exposures, volatility exposure and duration, are among the measures forming part of the wider analysis.

#### **Financial risk analysis**

Financial institutions need to project Basel constraints under stress and BAU scenarios for business optimization, ICAAP and ILAAP. Our integrated solution can help with:

#### **Sensitivity analysis**

OneSumX for Basel lets you calculate delta, vega and curvature risk factors used as inputs for wider market risk calculations. Together with measures such as Value-at-Risk (VaR) and Expected Shortfall (ES), these wider calculations can be used to manage overall market risk within a portfolio.

#### **Credit valuation adjustment (CVA)**

How this calculation is performed is based on approaches proposed by the Basel framework. CVA reflects the adjustment of default risk-free prices of derivatives, as well as securities financing transactions. It includes the basic approach as well as a more advanced approach, which takes hedge effects into account.

#### **VaR**

The market VaR calculation can be accomplished using three methodologies: parametric, also known as variance-covariance; non-parametric through historical simulation; or Monte Carlo simulation.

#### **Asset and liability management (ALM)**

The OneSumX for Basel solution provides easy-to-use modeling of the future balance sheet taking into account business strategies and the impact of customer behavior on value and income.

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## **Related products**

### **OneSumX for Regulatory Reporting**

Delivered as SaaS, on the cloud or on-premise, OneSumX for Regulatory Reporting covers various types of reporting, including Financial (e.g. FINREP), Prudential (e.g. COREP, BCAR), Transactional (e.g. MiFID II), Statistical (e.g. Economic & Financial Statistics), Granular (e.g. AnaCredit) and Multi-dimensional (e.g. Smart Cubes).

### **OneSumX IRRBB**

OneSumX IRRBB offers a unified approach to managing interest rate risk challenges in the banking book. It's an integrated solution for managing both internal IRRBB financial risk and regulatory metrics, reducing operational costs and ensuring consistency.

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Wolters Kluwer's OneSumX for Basel is an end-to-end solution encompassing data, calculations and reporting. As a market leader in regulatory compliance, we have installed software for financial institutions across the world, with a focus on the broad Basel framework and on requirements specific to each region. This is how we think globally and act locally.

#### **Regulatory analytics**

OneSumX for Basel caters for proportionality by providing the various methods adapted to the size and complexity of the financial institution for each risk type in line with the regulatory prescriptions.

#### **Credit risk**

Our solution covers the capital charge calculation under the standardized (SA), foundation internal-ratings-based (F-IRB) and advanced internal-ratings-based approaches (A-IRB). It includes standard risk parameters, such as probability of default, loss given default, and risk weight functions, allowing our customers to switch between internal ratings and the estimated probability of default when simulating downturn conditions. In addition, OneSumX for Basel has an intelligent mitigant optimization engine for maximizing collateral usage.

#### **Counterparty credit risk (CCR)**

This is captured in the framework for derivatives, security financing transactions and long settlement transactions for which a capital charge will need to be calculated. CCR also captures the rollover risks as well as specific and general wrong-way-risk measures within the solution to give a holistic overview of CCR measures.

#### **Market risk**

One of the biggest changes within the Basel reforms has been the adaptation of market risk assessment contained in the fundamental review of the trading book (FRTB). Larger organizations that use internal models will utilize FRTB for the output floor. Our OneSumX solution not only ensures that FRTB calculations are in line with Basel requirements, it also offers the ability to compare these outcomes with your organization's own market risk measures and stress test them.

#### **Liquidity risk**

OneSumX for Basel covers Basel IV liquidity requirements, such as the liquidity coverage ratio and net stable funding ratio, as well as local liquidity risk requirements, including net cumulative cash flow and liquidity stress testing. Furthermore our solution also supports other liquidity risk management and ALM features, including static liquidity modeling, dynamic liquidity gap analysis and market value analysis.

#### **Interest rate risk**

OneSumX for Basel contains extended analysis into gap risk, basis risk and option risk, which can be examined as part of the principles of the interest rate risk in the banking book (IRRBB) framework. Banks can manage the complete interest rate risk picture, including analysis of rate profile sensitivities of the portfolio and a full static and dynamic revaluation of the portfolio and total (interest rate) profit and loss (P&L).

#### **Concentration risk (large exposures)**

Concentration risk calculation is mandatory under Basel IV credit risk rules. Our solution monitors concentration risk and allows the study of possible scenarios. This component is also available for a number of regulators, such as the single counterparty credit limits requirements issued by the Federal Reserve Board.

#### **Collateral management**

OneSumX for Basel covers collateral posting, margining (for exchange-traded securities and where margin calls are accumulated), balancing of collaterals and the reporting of unencumbered securities.

#### **Output floor**

In addition to the regulatory requirements captured in the solution, organizations can configure the controls by plugging in their own variables and floors to create simulations or impose stricter requirements.





### **Pillar III disclosures**

Our solution helps organizations meet public reporting requirements covering, amongst others, risk management procedures, capital adequacy and market discipline, in various formats mandated by authorities in different jurisdictions.

### **Finance and consolidation**

The solution contains a consolidation module that takes into account financial and prudential consolidation processes. It can be integrated into the full finance framework to derive capital elements, as well as into the full balance sheet, to guarantee reconciliation at all times between the financial statement and risk management reporting.

### **Stress testing**

OneSumX for Basel provides maximum flexibility in setting inputs for all stress testing frameworks. This helps organizations optimize their balance sheet and control compliance costs.

### **Non-functionals, such as lineage**

Next to accurate calculations, the ability to address questions from regulators and senior management is a crucial operational component for financial institutions. This is why our solution offers additional management reports and a lineage framework to make calculations transparent to auditors and other stakeholders. Similarly, the use of simulation and scenario analysis helps present a clear picture of the impact any unfolding crisis holds.

### **Risk and finance integration**

Our reporting platform is designed to support true risk and finance integration. With CROs and CFOs accountable for different facets of reporting, OneSumX for Basel meets the needs of both, as well as those of the broader business, with integrated and auditable data stored and processed in the data layer. With this approach, risk management and reporting will not be limited to specialists and the CFO, but available to the entire business.

### **Regulatory reporting**

OneSumX for Basel forms part of our OneSumX for Finance, Risk and Regulatory Reporting solution suite, which enables your firm to benefit from user-configurable controls and restrictions to the reporting process. Reporting coverage includes prudential capital, credit risk, liquidity, balance sheet and P&L reporting. The solution suite also provides statistical reporting for submission to central banks and other authorities. It covers all Basel IV reporting sets, including COREP, FINREP, BCAR, FFIEC 101, FR Y-9C, IRR, CAR and all call reports, as well as the XBRL submission format.

OneSumX for Finance, Risk and Regulatory Reporting is also designed to minimize reconciliation, which is fully automated from input through to production and submission.

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## An integrated Basel solution

OneSumX for Basel takes an integrated approach across multiple disciplines. It facilitates the balancing act of managing risk, meeting regulatory requirements and optimizing profitability. Designed to be the solution that meets the vital twin objectives of making a bank a better business and a more compliant one.

Wolters Kluwer has been designing Basel solutions for more than 20 years, meeting our clients' growing needs in an

ever changing business environment. We combine regulatory content and industry expertise with advanced technology to adapt Basel IV compliance procedures for use in visualizing and optimizing different facets of a financial institution's business – transforming something you have to do into something you want to do.



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### About Wolters Kluwer

Wolters Kluwer (EURONEXT: WKL) is a global leader in information, software solutions and services for professionals in healthcare; tax and accounting; financial and corporate compliance; legal and regulatory; corporate performance and ESG. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with technology and services.

Wolters Kluwer reported 2023 annual revenues of €5.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 21,400 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

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Learn more about the OneSumX for Finance, Risk and Regulatory Reporting solutions. [Click here.](#)

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