



## Solution Primer

### Financial Services

# OneSumX CECL

When the Financial Accounting Standards Board (FASB) introduced a new impairment model, commonly known as CECL (Current Expected Credit Losses), applicable to the U.S. GAAP based countries such as the United States, Israel, Japan (limited) and, Switzerland (optional), it represented a major shift from the existing incurred loss model.

Instead of recognizing losses when the contract's carrying amount is not recoverable, CECL requires measurement of expected losses over the entire contractual lifetime of a loan taking into account a reasonable and supportable forecast of the future. While the benefits of providing this forward-looking information is to provide more and better information to auditors, shareholders, and members of the public are clear, it will be a significant additional burden for the financial institutions to fully comply.

Preparing for and implementing CECL will compel financial institutions to think about

credit risk in new and more timely ways and to either recalibrate existing models or develop new ones, with matters being especially thorny and complex for institutions that operate across borders. Furthermore, the new accounting standard also imposes a lot more requirements on financial institutions on the accounting and disclosure fronts.

Such a formidable undertaking will also require effective communication among all of the business functions on a frequent basis, so it is vital that all processes are transparent, efficient and repeatable. To do this effectively, an analytical solution is required that comprehensively address the particular methodologies and calculations outlined in CECL. They must encompass all facets of the myriad processes, from project consultation to classification and measurement, impairment and hedge accounting, through to internal and regulatory reporting.



*OneSumX CECL collates, standardizes and enriches data with the additional measures as per the CECL standards and automates the classification through flexible business rules. Having an end-to-end view of the CECL process ensures an integrated and completely auditable system. This greatly reduces the month-end costs and shifts attention from processing to analyzing.*

#### **Defining data requirements and sourcing**

Through our wide contract and event data management capabilities, OneSumX CECL processes, monitors and generates information on a wide range of financial products and events covering the entire product life cycle, from the purchase of

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credit-impaired assets to partial loan prepayment or restructuring.

#### **Credit risk assessment**

Our solution includes capabilities from advanced PD/LGD models through to re-usage and adjusting of historical loss methodologies such as vintage analysis, loss rate or net flow rate as proposed in the accounting standard. The solution therefore allows for assessing credit risk on an individual or collective basis, given the similar risk characteristics of the contracts under assessment. Additionally, this incorporates embedded stress testing and scenario management capabilities.

### ECL calculation and processing

Our solution works out the specific compliant Expected Credit Loss calculation methodologies, whether its discounted cash flow or a fully advanced PD/LGD model. All of these calculations are possible at the contract level, and can incorporate complex expert judgement to achieve the required accuracy in calculations, analysis and control requirements.

### Scalable, flexible and auditable framework

OneSumX CECL has the technical and functional scalability to move firms from a tactical towards a strategic solution for CECL compliance with its combination of term structures based on forward-looking and historical extrapolation methodologies. Expected Credit Loss calculators are flexible enough to work with expert judgement or macroeconomic scenarios.

### Disclosure requirements

OneSumX CECL combines the lifecycle information on each individual financial instrument with a transparent and auditable contract level CECL sub-ledger and powerful reporting tools. The solution offers full transparency and traceability that fully satisfies internal and external audit needs, including all disclosures as defined by the FASB.

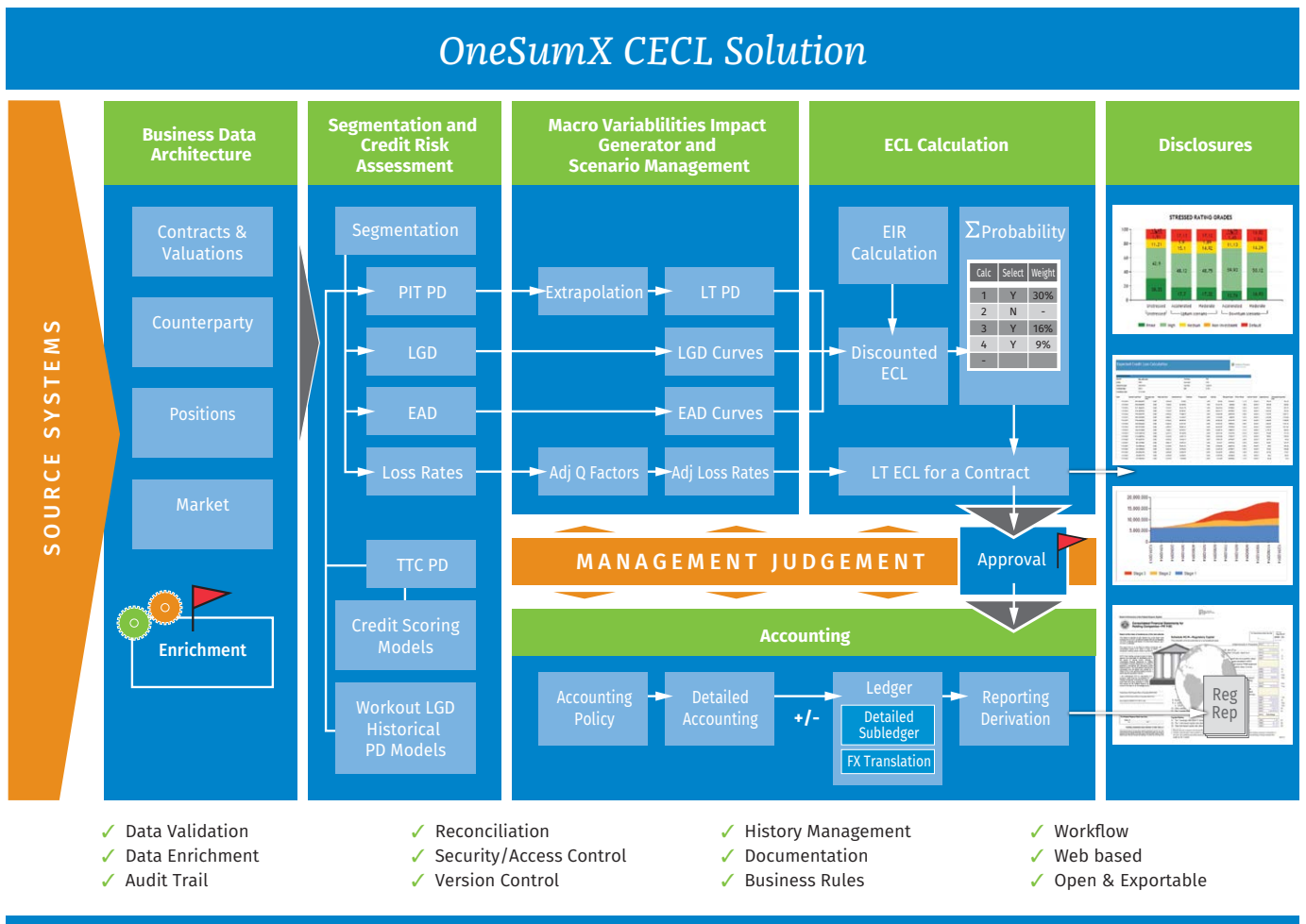
### Expertise in finance, risk and regulatory reporting

As CECL touches on the principal functions of finance, risk and regulatory reporting within an organization – it is essential that the enterprise providing the systems can offer the technology, as well as the brainpower of its human experts, to support all three. Expertise in one or even two is not good enough. Once the right systems are in place, the dovetailing of management and regulatory objectives permit firms to leverage the systems to accommodate the need for greater cooperation and communication among functions, particularly risk and finance, and at all levels of management in all places.

That means a single system with the flexibility to behave like many smaller ones, allowing data to be shared and manipulated – for analysis, forecasting, budgeting and planning – in ways that conform to the needs of each part of an organization.

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*Our CECL solution is part of our comprehensive OneSumX for Finance portfolio which performs all required financial industry-specific calculations and processes to streamline accounting from event to disclosure in a fast, transparent and fully-controlled way. It further supports firms in their strategic planning, budgeting and forecasting through simulations and analytics.*

- Centralized data management is unique to our solution suite as it manages financial industry-specific business data that the advanced subledger balances account for. The bidirectional link between business and finance data, at the most granular level, guarantees complete reconciliation, audit trail transparency and accurate reporting across business and finance.
- We actively monitor regulatory changes and provide updates within regulatory update service (RUS) allowing firms to rest assured that they are meeting the ever changing regulatory requirements at all times. Our experts actively monitor and analyze regulatory changes across the world, helping firms to ensure compliance on an ongoing basis.
- Extensive business intelligence, dashboards and out-of-the box management reporting capabilities, avoiding expensive implementation add-ons.
- Modularity of the solution allows customers to expand the usage and functionality at its own pace avoiding unnecessary functionality at the time of implementation and decreasing the time to going live on a pragmatic basis, but allowing for future solution leverage.

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Success

Solution

Business Strategy  
Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management

Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management

● SOCIAL NETWORK



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The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,000 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands. Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

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