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Solution overview

# OneSumX for Risk Management

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Risk Management in its purest form is the process by which risks in an investment are identified, assessed, measured and managed in order to create a return, or economic value. A comprehensive strategy that combines well-designed technology architecture with a suite of analytical applications to support risk-aware decision making is therefore the key to success for any financial institution.



# *OneSumX<sup>®</sup> for Risk Management:* An end-to-end solution to address the financial risk management challenges in a fast moving business and regulatory environment. OneSumX for Risk Management gives banks and financial institutions a better, more comprehensive and actionable way to measure, mitigate and manage financial and regulatory risk.

Risk management has never been easy, even more so today, when correctly qualifying and quantifying risks – credit, counterparty credit, market, liquidity, operational – can be very challenging and as a consequence regulators are attempting to refine and change the financial services landscape in order to make financial institutions and the global banking system more resilient.

The adoption of Basel III regulations, addressing climate and geopolitical risks, are additional challenges faced by the CFOs and CROs. Further, regulators are requiring financial institutions to:

- Hold more and better quality capital
- Meet minimum standards for short and long term liquidity in the form of the:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Meet minimum standards for leverage to act as a backstop to balance sheet growth
- Improve risk management governance and make senior management/board members accountable
- Introduce restrictions on variable remuneration

In addition, there have been numerous refinements to the underlying calculations, methodologies and standards that need to be met by financial institutions with regards to their minimum pillar 1 capital requirements. From a pillar 2 perspective, regulators are posing more intrusive questions around institutions' business models, stress testing methodology and contingency

plans. If regulators are not satisfied with the answers, additional capital and liquidity buffers, which have negative consequences for earnings are imposed.

These refinements require the CFO/CRO to build the firm's strategy and plans, and bear the responsibility to quantify the strategy results and feasibility under the regulatory rules of more expensive, higher quality capital, as well as liquidity and leverage constraints. The quality of the solution supporting this effort will directly influence the contribution of the CFO/CRO to strategic decisions.

Due to the historical nature of the development of risk management practices in the industry and financial institutions, most of the key risks described above are typically measured and stressed in silos, by different departments. This makes it exceedingly difficult to gain a holistic, consistent view of risk across the institution and undermines confidence in the decision making process.

In light of the new regulatory standards, such as Basel III, or Basel IV or other local rules, there is also a cultural and technological challenge which financial institutions need to rise to by way of integrating the management of these risks into a single platform. The greater the integration between these areas, the more financial institutions will benefit from a holistic and consistent view of their balance sheet, earnings, capital, liquidity and leverage under normal and stress conditions through time – to support more informed and confident decision making.

Financial institutions continuously strive to improve the risk management process, increase profitability with minimum exposure to risks, reduce manual interventions and automate processes and controls. With its integrated data model, calculation engine and reporting platform, OneSumX automates the numerous work-around processes that institutions have built to reconcile their silo risk outputs. This reduces the through-the-cycle time and thus frees up resources for added value activities.

Regulatory and internal changes are compelling and recurring: they absorb significant efforts and energy. At Wolters Kluwer we continuously monitor these changes and embed our expertise into our solutions. OneSumX implements these changes, manages new data requirements and calculations, and accelerates the disclosure process with complete transparency.

Strategy and planning have never been more contingent on the regulatory rules imposed on finance and risk. P&L volatility caused by capital and liquidity requirements as well as leverage ratio limitations, are a few examples demonstrating complexity the CFO/CRO faces when contributing to the strategy. The capacity to deliver accurate simulations of all critical business factors, as well as encompassing all relevant aspects as discussed above, is therefore equally critical for the CFO/CRO and for the firm.

OneSumX combines Wolters Kluwer's three main differentiators of technology, content and services to provide an unrivalled risk management offering that can flexibly address the risk management challenges in this fast moving business and regulatory environment.

**Integrated data management**

OneSumX for Risk Management is an event-based, contract-centric, integrated solution, in which data is collected only once to measure all financial risks. The solution delivers full data management capabilities, validation and reconciliation as well as valuations and data enrichments.

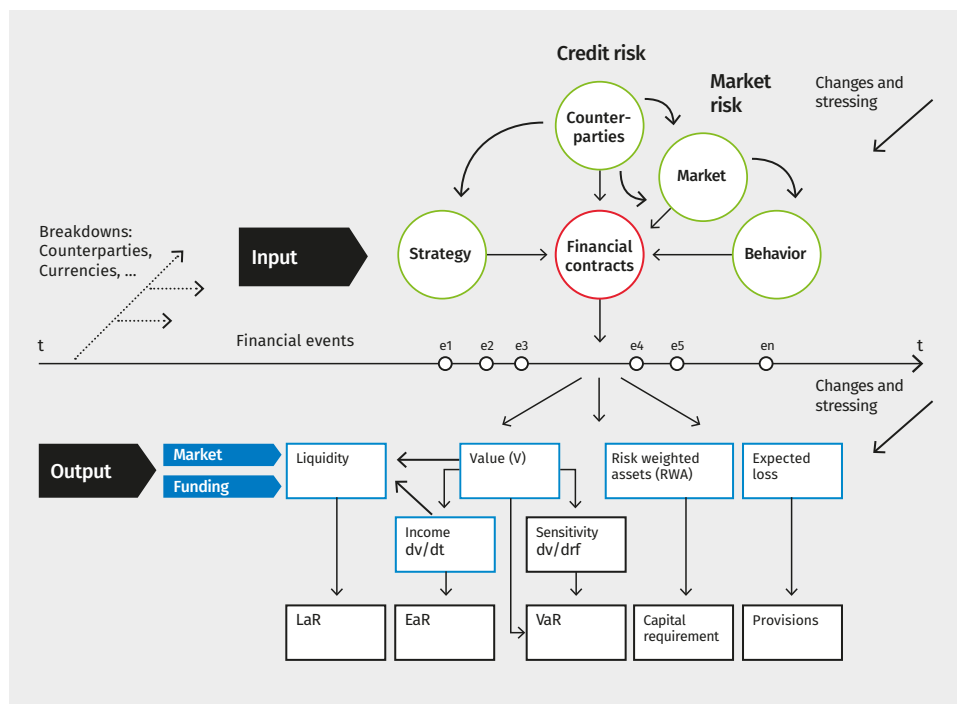
**Balance sheet management – powerful analytics engine**

As a contract centric integrated financial risk management solution, OneSumX generates expected and unexpected cash flows based on anticipated events over the lifetime of the contract. These events reflect the outlook for the macro economy, market risk factors, the strategy of the firm and the expected behavior of its counterparties. The cumulate results allow firms to calculate their balance sheet value, income, capital, liquidity, leverage and provisioning levels now and at any point into the future.

**Capital**

OneSumX for Risk Management allows users to calculate, simulate and stress risk weighted assets and capital requirements for credit, counterparty credit, market and operational risks according to standardized and/or internal models. In addition, it enables financial institutions to reflect collateral allocation, netting and guarantees as per the Basel rules and compare these to an internal assessment using Economic Capital models. The OneSumX for Risk Management solution also facilitates the calculation and management of concentration risk, expected loss, provisions, impairments, credit value adjustment and wrong way risk using analytical models or Monte Carlo simulation. OneSumX further supports the calculation of all Basel CVA related measures including Current Exposure, Peak Exposure, Expected Exposure, Effective Expected Exposure and Effective Expected Positive Exposure.

**Holistic risk management framework**





### Liquidity

Our Risk Management allows firms to calculate, simulate and stress the LCR, NSFR using contractual and behavioral cash flows assuming a liquidation analysis (living wills) and going concern analysis. In addition, it enables our customers to calculate the marginal and cumulative liquidity gap and survival period of their financial institution.

### Leverage

OneSumX for Risk Management lets its users calculate, simulate and stress the leverage ratio reflecting the alternative treatment described by the regulators for off-balance sheet items and derivatives in comparison to the solvency calculations (among other items).

### Earnings

Wolters Kluwer's Risk Management solution also facilitates the calculation, simulation and stressing of net interest income (NII) reflecting the appropriate different instrument valuation methodologies such as discounted cash flows, CAPM, Black-Scholes, Trinomial trees etc. In addition, it enables our customers to calculate and manage key risk indicators such as the sensitivities and the re-pricing gap.

### Performance

OneSumX for Risk management helps firms understand and analyze which sources consume and provide liquidity; and which trades/counterparties consume capital by calculating, stressing and simulating FTP rates, RORWA and RORAC.

## Related products

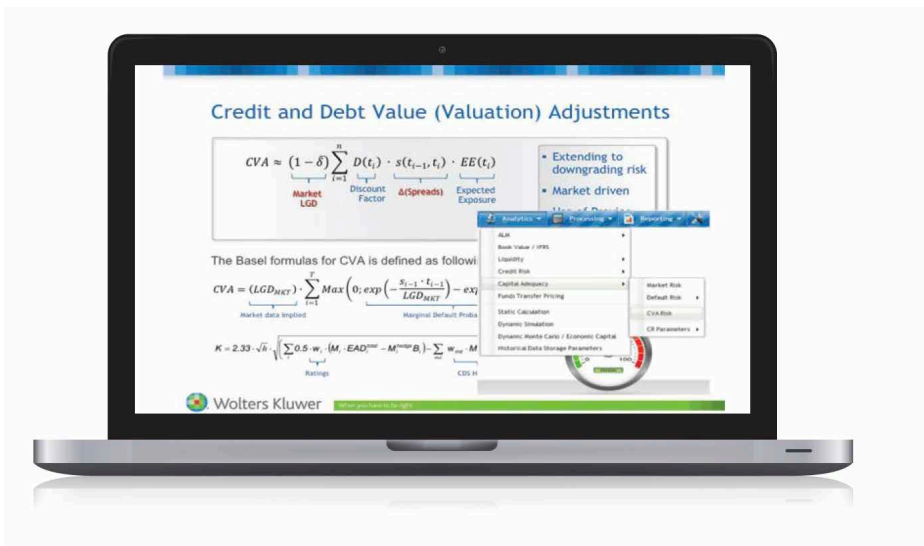
### OneSumX ALM

Coordinate interest rate risk, liquidity risk, funds transfer pricing, and capital management requirements through our Asset and Liability Management Solution.

### OneSumX for Basel






Manage the entire process from data integrity and lineage, through to finance and risk management, and into regulatory calculators and reporting with OneSumX for Basel.

*OneSumX for Risk Management is an event-based, contract-centric, integrated solution, in which data is collected once in order to measure all financial risks.*



# Budgeting and planning

With our OneSumX for Risk management solution our customers can evaluate the impact of alternative stress tests, scenarios and simulations across capital, liquidity, leverage and earnings simultaneously and then use the outputs to inform contingency plans and business strategy. This lets them easily define and combine “stress models” into a single analysis across numerous factors as per the table below.

Market risk factors	Credit/Counterparty credit risk factors	Customer behavior	Institutions business strategy	Institution specific (look-ups)
<ul style="list-style-type: none"> <li>• Yield curves</li> <li>• Product rates</li> <li>• Currencies</li> <li>• Indices &amp; stocks</li> <li>• Commodities</li> <li>• Volatilities &amp; correlations</li> </ul> 	<ul style="list-style-type: none"> <li>• Ratings/credit spreads</li> <li>• Probability of default</li> <li>• Migration matrices</li> <li>• Collaterals &amp; Recoveries</li> <li>• Exposures</li> </ul> 	<ul style="list-style-type: none"> <li>• Remaining principal</li> <li>• Prepayments</li> <li>• Replication</li> <li>• Use of facilities</li> <li>• Used at default</li> </ul> 	<ul style="list-style-type: none"> <li>• Business volumes</li> <li>• Re-investment</li> <li>• Asset sales</li> <li>• Non-financial cash flows</li> </ul> 	<ul style="list-style-type: none"> <li>• Macro model</li> <li>• ...</li> </ul> 

## Reporting

OneSumX for Risk Management presents the results of this integrated analysis in an easy-to-use set of online analytical processing (OLAP) cubes that allow users to drag and drop dimensions to add insight into their analysis and create KRI dashboards. In addition, users can drill down to the underlying cash flow of events for a single contract through a fully configurable and customer specific chart of account structure. As such, institutions with multi-entity and cross border requirements can gain a single holistic view across the entire organization, identifying concentrations in credit risk or funding sources while simultaneously being able to analyze entity specific positions across capital, liquidity and earnings under alternative scenarios.

## Risk & Profitability

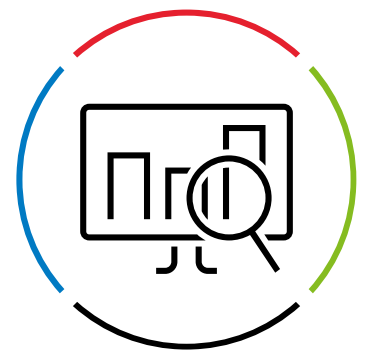
Market volatility and an increased awareness of the importance of counterparty risk have resulted in risk management systems being viewed as strategic assets. Investments have been focused on developing a holistic view of risk and providing timely access to information. The comprehensive OneSumX solution suite can deliver an integrated solution for financial risk management and reporting to your organization with full integration of data, analytics and reporting perspectives.

The use of a single set of analyses executed from the same data set, which uses one set of analytics to derive a unique projection of expected cash flows per scenario, incorporating all relevant credit, market, behavioral, strategic and macro-economic events yields significant benefits for financial institutions. It enables firms to measure risks more accurately and more consistently, thus informing strategy and contingency plans with greater insight.



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*OneSumX for Risk provides a holistic view across the risk types and allows for sophisticated scenario analysis and stress testing under both internal and regulatory metrics – all via a fully scalable dedicated data management platform that provides analytics and reporting in a fraction of the time.*



### 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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