

Factsheet - Straterix Scenarios

Sophisticated scenario generation, automated stress testing and expected credit loss calculation

Straterix is a ML-powered SaaS solution that automatically generates baseline and stress scenarios for ECL (Expected Credit Loss) calculations (CECL/IFRS 9), and projects balance sheet and income statement items. It supplies data to Fusion Optimum for rendering results and generating reports.

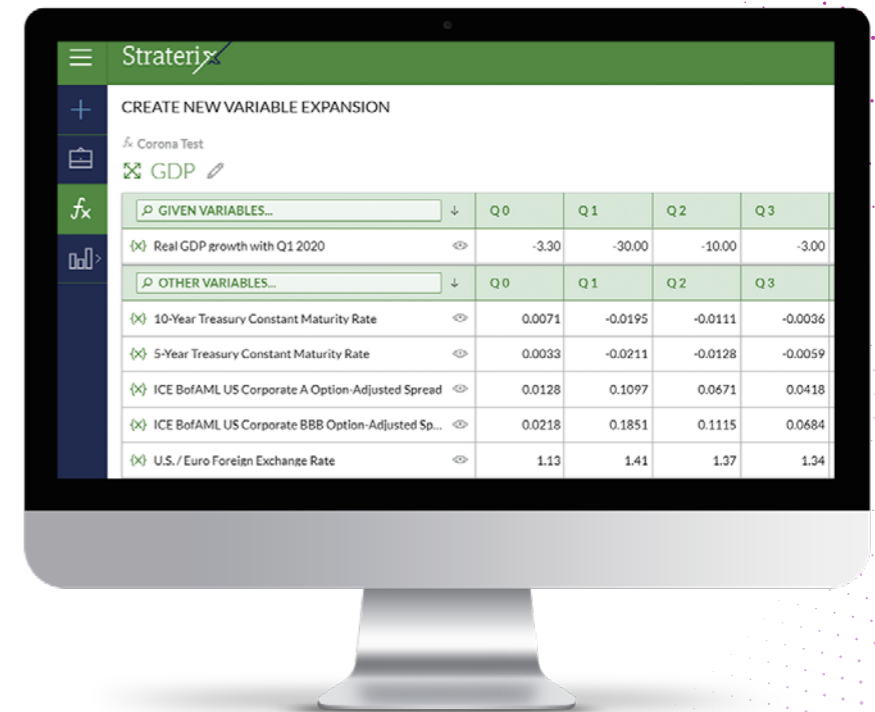
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Incorporating dynamic correlations between macroeconomic, market and portfolio-specific variables, Straterix produces thousands of scenarios and calculates credit losses for each one."

Integrating credit impacts (default probability and recovery rate) linked with macro-economic scenarios into your ECL calculations and balance sheets projections are essential elements of business planning, especially for the post-Covid era.

Today, the combined demands of regulations such as CCAR and other stress tests, plus CECL and IFRS 9 impose a heavy burden of scenario generation on financial organizations. In addition, auditors need to be comfortable that firms have chosen the right scenarios and probabilities.

However, it can be prohibitively expensive to develop robust, defensible and plausible scenarios in-house, demanding long time horizons and costly professionals. As a consequence, banks struggle with profitability forecasts, especially for extreme events such as the pandemic. Generating 'what-if' scenarios using spreadsheet-based tools cannot capture the underlying complexities.



Straterix					
CREATE NEW VARIABLE EXPANSION					
Corona Test					
GDP					
GIVEN VARIABLES...		Q 0	Q 1	Q 2	Q 3
Real GDP growth with Q1 2020		-3.30	-30.00	-10.00	-3.00
OTHER VARIABLES...		Q 0	Q 1	Q 2	Q 3
10-Year Treasury Constant Maturity Rate		0.0071	-0.0195	-0.0111	-0.0036
5-Year Treasury Constant Maturity Rate		0.0033	-0.0211	-0.0128	-0.0059
ICE BofAML US Corporate A Option-Adjusted Spread		0.0128	0.1097	0.0671	0.0418
ICE BofAML US Corporate BBB Option-Adjusted Sp...		0.0218	0.1851	0.1115	0.0684
U.S. / Euro Foreign Exchange Rate		1.13	1.41	1.37	1.34



How it works

Straterix is a cloud-based SaaS solution that is periodically updated and can coexist with core risk systems. Scenarios are delivered by API, removing the need to rip and replace existing technology.

Incorporating dynamic correlations between multiple market variables (client sourced data, or publicly available data) such as macroeconomic, market and portfolio-specific variables, it can produce thousands of scenarios that realistically quantify the tail risk and capture how underlying risk drivers behave jointly. These scenarios are used to forecast credit losses on the lending book, risk-weighted assets and net income.

By assigning scenario probabilities based on the distribution of total credit loss, Straterix enables “reverse-scenario analysis”. It reveals what could happen on any of the scenarios from the most optimistic scenario - 1st best-case percentile to 99th percentile, which is considered to be the worst plausible scenario.

Any custom-made scenario can be plugged into Straterix to obtain its effect on combining all factors that are important for the organization. It also incorporates automated scenario expansion from given variables and supports per-provision net revenue (PPNR) calculation.

With an easy and intuitive user interface, Straterix allows for rapid adoption and its flexibility enables clients to integrate these stress scenarios into their own models. This allows institutions to fit the right model to the data rather than the other way around.

Key features



SaaS solution ready for rapid deployment



Top-down approach uncovers market drivers specific to an organization



Integrated out-of-the-box with Fusion Risk APIs



Accurately assesses tail risks by considering both stable and stressed market conditions



Generates full distribution of scenarios



Does not require Clients' proprietary data and Clients' proprietary model to generate all scenarios needed for CECL/IFRS9 and stress testing

Straterix Scenarios is pre-integrated with Finastra's FusionFabric.cloud to interact seamlessly with Finastra's Fusion Optimum solution.

Benefits



Accurate assessment of tail risk

Straterix creates a more accurate assessment of tail risk, thus better capturing extreme scenarios. Its top-down approach considers a combination of macroeconomic variables and market drivers, dynamic correlations, realistic stress scenarios and forecasts.



Improved efficiency

Straterix automatically loads, verifies and processes new data, and significantly reduces the time and resources needed to prepare and design scenarios, in particular as it enables firms to focus on relevant scenarios. Optimizations and management actions can be quickly re-run.



Improved profitability and margins

With Straterix, Institutions can digitize the end-to-end stress scenario-driven impact on balance sheets. Accurate measures of portfolio sensitivities can drive the right decisions to find vulnerabilities and make better decision to increase profitability and profit margin.



Optimized capital allocation

Firms can choose balance sheet composition and income statement alternatives that satisfy their growth objectives while at the same time observing capital and liquidity constraints.



Reduced risk

Straterix can discover hidden pockets of risk and deliver early warnings of increased risk concentration. Organizations can more accurately identify relevant scenarios and prepare contingency plans accordingly.

Contact us

About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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