

NEW LIQUIDITY SOLUTIONS MAY FALL SHORT OF FSA REQUIREMENTS, WARNS WHISTLEBROOK

Liquidity modelling and reporting solutions implemented by financial firms may yet fall short of FSA requirements, warns IT company Whistlebrook.

In meeting the FSA's mandate to establish and maintain enhanced systems and controls for the management of liquidity risk, Whistlebrook believes many firms will have had to implement a 'best guess' solution, due to complex requirements and a tight timeline.

Depending on the type of financial institution, the FSA scheduled a phased switch-on for liquidity reporting beginning on 1 June 2010. FSA guidance comprehensively outlines compliance criteria but is not wholly prescriptive on methodology, for example regarding exactly how to model and report stress scenarios. This puts enormous pressure on firms, at a senior level, to ensure that their systems will stand up to FSA scrutiny.

Having developed a robust software solution for C.Hoare and Co., the UK's leading independent private bank, Whistlebrook is now offering other financial firms a free half-day consultancy to review their systems and suggest any actions to meet FSA compliance.

C.Hoare is operating Whistlebrook's Analytics for Financial Institutions (ALFI) module, an automated solution for liquidity modelling, specifically designed to provide a single interactive, graphical, management information system.

Whistlebrook was initially engaged by C.Hoare in January to install ALFI for Business Intelligence and data warehousing, to populate regulatory reports. However, with the FSA's 1 June deadline for quantitative and reporting requirements approaching, C.Hoare invited Whistlebrook to develop a liquidity modelling system capable of running the stress tests suggested by the FSA.

Richard Mumford, IT Project Manager at C.Hoare, said: "With Whistlebrook we interpreted the FSA requirements, for example what a liquidity modelling test should comprise, and they developed a flexible, easy to use system that runs the test scenarios and demonstrates how the bank would respond to them."

Andy Hudders, Director at Whistlebrook, said: "Spreadsheets or paper-based systems, for example, are prone to inputting errors and lack the necessary auditing trails and drill-down capabilities. By comparison, ALFI automatically extracts data from operational systems to

give a single view of what's going on in the company, and provides granular analysis and the capability for daily reports, which the FSA could request in certain conditions.”

Mumford commented: “We were working on very tight timelines, populating ALFI using ETL tools while simultaneously working on the liquidity modelling project. We agreed a delivery sequence and schedule, with a phased roll-out of scenario solutions as they were completed. This enabled us to perform testing and review as we went. Delivery was always on time and any issues identified were turned around very quickly by Whistlebrook.”

The system has allowed C.Hoare to constantly remodel and rerun scenarios to show the impact of variations on the bank's liquidity position, which Mumford believes is something the FSA will want evidence of. “This compares very favourably to manual systems which would be resource-intensive and liable to inconsistencies.”

Mumford continued: “Another major plus point is being able to conduct reporting and modelling from the same data set. Many other financial firms don't have this capability, which means doubling up database applications and creating a potential mismatch. From an integrity viewpoint it's pretty fundamental, but it also makes a lot of sense in terms of effort and resource.

ALFI was also a lower cost solution than other vendors we considered in the project analysis phase, and fitted with our business model, system architecture and time schedule.”

Andy Hudders said: “If institutions have issues or concerns about liquidity modelling and reporting, we offer a proven and flexible solution that is quick to implement and easy to use. We completed the system for C.Hoare in six weeks, which included writing the application, so a four week timeline is very achievable.”

Mumford commented: “Software houses will typically deliver to specification but often lack sufficient comprehension of the business requirement. Whistlebrook's understanding of the operational context and objectives was really appreciated by our financial team and was key to the project's success.”

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About Whistlebrook:

Whistlebrook is meeting the growing demand for business information availability and quality with a range of packaged software and bespoke business intelligence solutions.

An information management system specialist with an excellent reputation for delivering major IT projects in the Financial and Business Intelligence markets, Whistlebrook helps customers drive down costs and create high levels of business value.

Whistlebrook is a Microsoft Gold Certified partner for Business Intelligence and Data Management Solutions.