

Prometeia provides an effective answer to regulatory compliance for funding plans

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In June 2014 the European Banking Authority (EBA) published **specific guidelines for funding plans**, providing a set of templates designed to monitor liquidity and funding according to common standards across the industry.

The common reporting set includes:

- **Balance Sheet Projections:** the forecast of asset and liability dynamics (over 6 months and 1, 2 and 3 years) indicates the institution's strategies in terms of balance sheet evolution and composition;
- **Regulatory Ratios:** the forecast of Liquidity Coverage Ratio (LCR, at 6 months and 1 year) and Net Stable Funding Ratio (NSFR, at 6 months, 1, 2 and 3 years) evaluates the sustainability of the funding plan under stress assumptions;
- **Main Funding Sources:** the evolution of specific components of the balance sheet liabilities (i.e. less stable deposits, central banks funding sources) highlights the institution's dependency on critical funding products;
- **Price of funding:** the projection of asset and liability interest rates supports the assessment of the affordability of the expected funding from a profitability perspective;
- **Structural imbalances in currency:** a currency breakdown of balance sheet volumes identifies a potential mismatch in the FX position.

Funding Plan templates have become part of the COREP for the main leading institutions across Europe. The **European Central Bank has also included these reports in its ILAAP and SREP processes**, to be completed by the supervised entities on annual basis in order to better assess the funding capabilities of each individual bank.

ERMAS Funding Plan Module supports Prometeia's clients in the production of both **regulatory templates** and the **simulation of alternative funding plan strategies**. This module is part of the ERMAS Balance Sheet Management platform, the integrated simulation solution designed to analyze planning strategies under multiple scenarios, and to verify their impact in terms of liquidity, interest rate, credit risk and profitability.

"Thanks to our long-dated collaboration with Finance, Treasury and Risk departments, we have always considered the funding plan as a key business process for both CFO and CRO functions, under different but complementary perspectives," comments **Andrea Partesotti, Head of Enterprise Risk Management Area and Director at Prometeia**.

An efficient funding plan process requires the contribution of multiple stakeholders who cooperate to identify, test and implement the best strategy in terms of liquidity

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and profitability, with the ultimate goal of achieving the objectives set by the business plan.

“In this context, the funding plan cannot be considered as a mere regulatory burden,” continues Partesotti. *“This is why our approach addresses both regulatory and managerial perspectives, allowing our clients to simulate a variety of scenarios, interactively and with an integrated view for risk and profitability.”*

Prometeia’s ERMAS Funding Plan Module enables credit institutions to:

- ensure full compliance with the EBA guidelines, producing the regulatory templates and the related XBRL reports;
- forecast LCR and NSFR ratios according to multiple regulatory standards (i.e. BCBS, CRR, ..), and guarantee a full consistency with the official indicators;
- perform affordability analysis of the funding strategies, in terms of liquidity ratios and balances, margins and price of funding;
- implement analytical views that allow to interactively generate and project alternative strategies, in order to compare the related impacts;
- leverage the in-built functionalities to configure complex strategies for complex products, such as issuances of ABS and covered bonds;
- rely on accurate and efficient simulation methods: strategy assumptions are configurable at the aggregation level defined by user, and calculation processes are performed at single deal level;
- back-test outcomes to understand how ex-post liquidity and funding results differ from the projected ones;
- trace all the configuration settings and algorithms applied to generate regulatory reporting via audit tools;

ERMAS, the new generation of value-centric risk solutions, is used by over 200 clients in more than 20 countries to support their critical decisions and to comply with local and international regulatory requirements.

To find out more, visit www.prometeia.com.

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With over 40 years of experience in economic research, quantitative analysis and model development, Prometeia is a global provider of consulting services and software solutions focused on Risk, Performance & Wealth Management. With 750+ industry experts, we serve more than 200 financial institutions in 20 countries, through a consolidated network of foreign branches and subsidiaries located in Europe, Africa and the Middle East.