FINASTRA

Factsheet – ARC

Comprehensive and open banking book risk and regulatory compliance platform

Stay ahead of market and regulatory challenges and gauge your risk tolerance with flexible asset and liability management scenarios, extensive stress testing, holistic risk analytics, FTP and regulatory reporting capabilities.

75 % cost reduction for resources dedicated to ALM and FTP

In the global context of soaring inflation and rapid interest rate hikes, an efficient and risk-aware balance sheet management gains a new importance within Financial Institutions (FIs) looking to tame the resulting volatility. Emerging risk factors, such as climate change, also contribute to an increasingly complex environment where FIs need to survive and thrive. These new rapidly evolving challenges call for adequate tools, able to adapt and expand equally fast.

Finastra ARC is such a modular and open banking book platform that supports FI's need to balance risk management against growth and profitability targets, while meeting regulatory compliance requirements.

It works with both aggregated and contract-level data to enable strategic decision-making and risk management, enabling an in-depth analysis of the banking book.

In choosing either the full platform or individual modules suitable for their business, FIs get a tailored solution that contributes to operational efficiency while managing and optimizing the balance sheet.

Furthermore, the platform can be used via a traditional site deployment, or as a cloud service, seamlessly working alongside other partner fintech cloud offerings.

Beyond meeting regulatory requirements

- The asset/liability management (ALM) component provides institutions with an effective and thorough process to decide on their portfolio's profitability.

- Dynamic ALM functionality enables strategy simulations and ongoing risk evaluation in realistic scenarios.

- Funds Transfer Pricing (FTP) helps financial managers precisely forecast and manage profitability performance of funding, leading to optimized budgeting and pricing analysis.

- The IFRS 9 module supports classification, initial recognition valuation, measurement, benchmarking, impairment, and hedge accounting functionalities that comply with the latest IASB standards. The corresponding solution for US market, called CECL Express, is available as a cloudbased service.

- Covering Basel II, III and IV frameworks, our regulatory reporting tool offers a rapid route to financial compliance. In the everchanging regulatory environment, this means significant savings, freeing up high-cost resources for performance optimization.

- Everything comes packed in an open, flexible interface, supported by a dashboard for reporting, with user-friendly widgets that enable slice-and-dice analysis.

Reduced costs, optimized efficiency

ARC can be delivered on or off-premises via cloud servers. Migration to cloud managed services comes with software production support and maintenance and an evergreen, up-to-date platform, to enable easy integration and collaboration.

Balance sheet and risk management becomes streamlined, dramatically reducing workload, time and cost.

Flexible delivery and integration

Features include strong authentication based on Open ID Connect (OIDC), while microservices and open APIs provide fast out-of-the-box integration with Finastra's front-office systems, fintech partners and other third-party apps.

The flexible web-service APIs enable inputs from multiple front-office systems to centralize the assessment of risk, enabling risk managers to monitor overall exposures holistically across all banking books, for instance, for all subsidiaries.

Leveraging modern technology for optimized performance

ARC's modernized architecture leverages Kubernetes, providing containerized and orchestrated deployment that is cloud ready and cloud agnostic.

The system is able to process balance sheets with tens of millions of entries in just a few hours, ensuring vertical and horizontal scalability thanks to its easily configurable distributed processing capacities.

It can be easily integrated with relational database management systems, such as SQL Server, PostgreSQL or Oracle Database.

Built-in data aggregation capabilities are provided at every stage, to reduce redundancy and enhance performance.
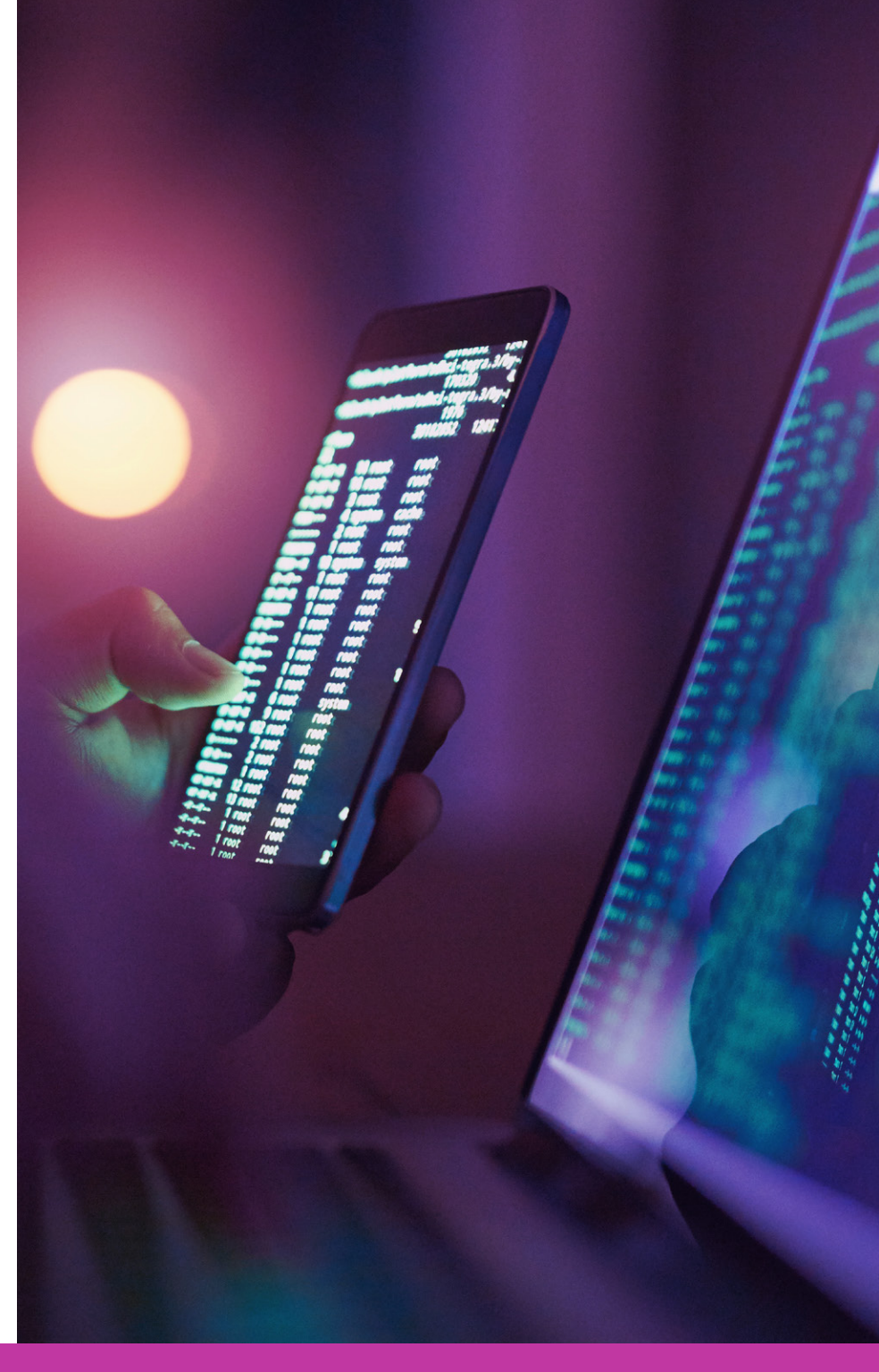
Global and local expertise
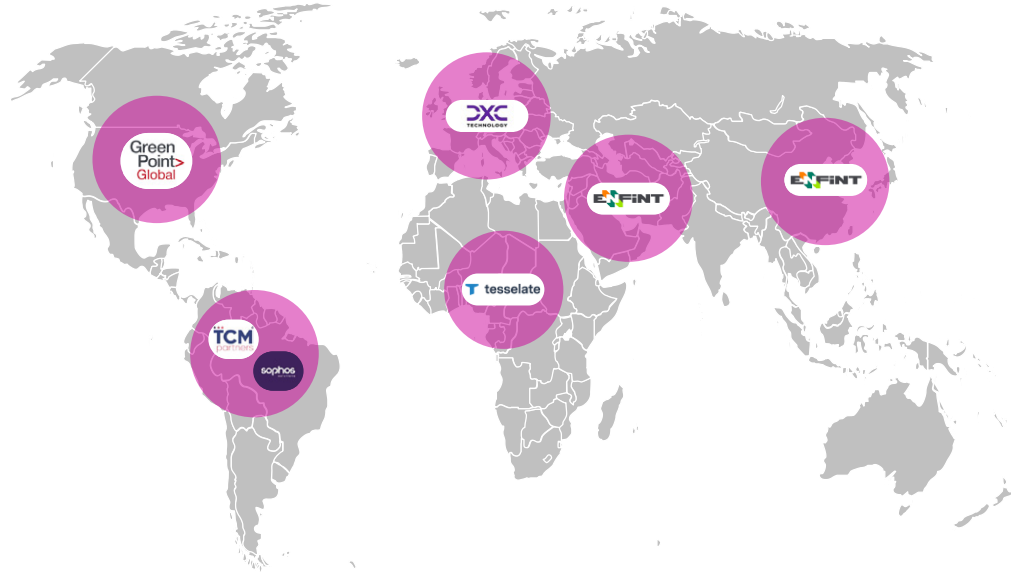
ARC is a proven and robust balance sheet management solution, used with success by many customers around the globe.

The product provides worldwide coverage and supports regulatory compliance in highly regulated markets, such as the EU and USA, while also accounting for local market conventions , e.g. interest and accrued interest calculations specific to the Brazilian market.

Country-specific regulatory compliance is supported via so-called National Discretion functionality, available out-of-the-box while adaptable to individual needs of every FI.

Finastra has an extensive network of certified local partners with deep knowledge of regional requirements and market conventions, who can onboard/deploy and configure the solution.

Channeling the support of local experts such as TCM Partners/Sophos (LATAM), GreenPoint (US), DXC (Europe), Tesselate (Africa) or Enfint (MEA/APAC), we meet your specific country needs.

Built-in implementation accelerator

FusionBlueprints, a tried, tested and trusted implementation methodology, provides preconfigured processes, reports and integration with other Finastra products. This quick start solution is divided into modules, enabling a configuration adapted to each customer's setup.

Regularly updated to include both new product features and Basel updates, FusionBlueprints significantly reduces implementation costs.

The out-of-the-box solution delivers ALM and FTP scenarios, IFRS 9 calculations and events, as well as a full regulatory configuration at Basel, EU or National levels, enabling FIs to calculate regulatory metrics like risk-weighted assets (RWA), McDonough ratio, or Liquidity ratios (LCR and NSFR).

Up to date with market changes

ARC integrates several features that enable its users manage the complexities of the transition from IBOR to Risk-Free Rates (RFR), an alternative to measuring the inter-institutional cost of borrowing money.
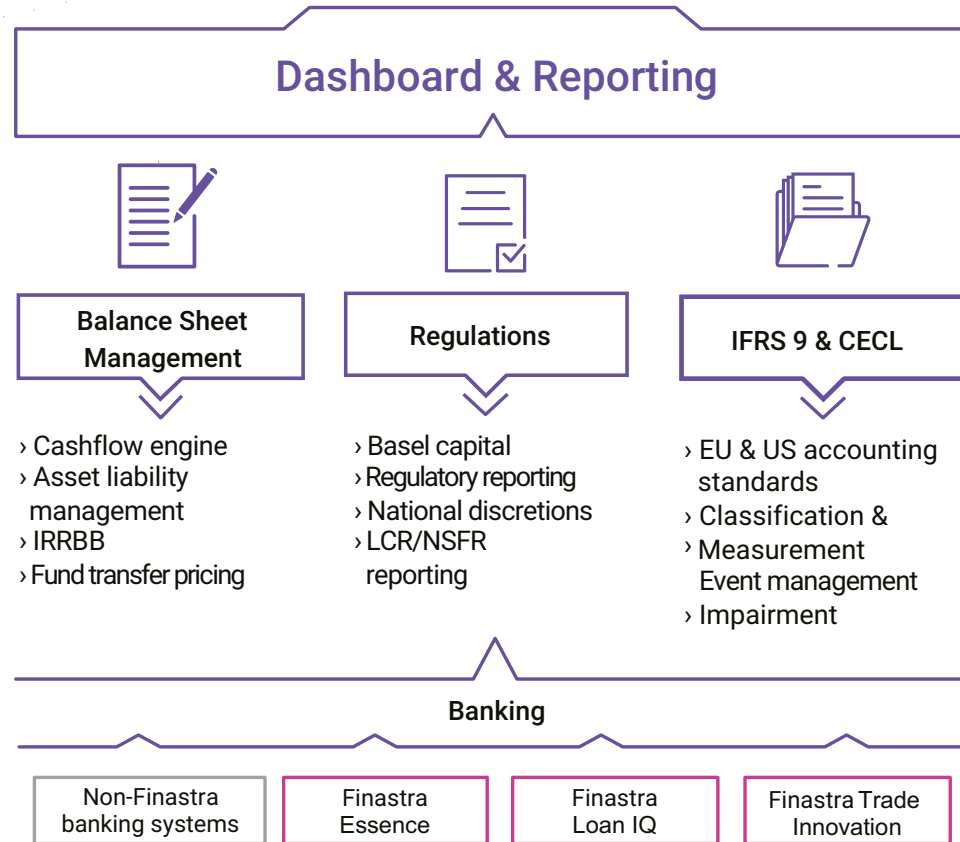
Finastra is proactively updating the product with the latest regulatory changes, such as EBA reporting framework 3.2 (Basel) and Basel IV.

Innovation for predictive analytics

ARC applies machine learning techniques to predict customer behaviour regarding loan prepayment, taking into account customer profiles, refinancing and macroeconomic factors.

Machine learning enables the creation of flexible prepayment models that adapt to data.

Algorithms manage the complexity and the non-linearity between the input data and the behaviour of the borrower, which significantly improves the reliability of prepayment rates. The regression-based models are explainable – an important requirement voiced by regulators, auditors, and risk managers.

Dashboard & Reporting

Balance Sheet Management
- › Cashflow engine
- › Asset liability management
- › IRRBB
- › Fund transfer pricing

Regulations
- › Basel capital
- › Regulatory reporting
- › National discretions
- › LCR/NSFR reporting

IFRS 9 & CECL
- › EU & US accounting standards
- › Classification & Measurement Event management
- › Impairment

Banking

| Non-Finastra banking systems | Finastra Essence | Finastra Loan IQ | Finastra Trade Innovation |

Balance Sheet Management

ALM
- Economic scenario
- Behavioral modelling
- Business planning
- Simulations / dynamic calculations
- Sensitivity analysis (what-if)
- Banking Book VaR

FTP
- Behavioral modelling
- Replication for non-maturing products
- On and off-balance sheet products management

IFRS 9/CECL
- Classification of financial instruments
- Initial recognition valuation
- Amortized Cost and Fair Value measurements
- Impairment management
- Hedge accounting functionalities

Regulatory reporting (Basel)
- Credit Risk with RWA calculations
- Market Risk
- Operational Risk
- Large Exposures
- Liquidity Risk (LCR, NSFR, ALMM)
- Capital Requirements (McDonough Ratio)

Technology
- Robust, module-agnostic cash-flow engine
- Parallel processing for increased speed performance
- Customizable, rule-based workflow
- OIDC authorization / SSO
- Flexible user management logic
- Custom Replication and Behavioral models SDK
- OpenAPI based interface for external data and apps

Partner ecosystem & FusionFabric.Cloud

Building a trustworthy partner ecosystem ensures resource maximization and coverage efficiency, leveraging experience on local terrain.

FusionFabric.cloud (FFDC), a flexible, open banking platform, enables access to innovative fintech applications connected to Finastra's products.

Subscribing to Finastra's vision of open finance, ARC offers modern cloud-ready interfacing APIs, which allow integration with Finastra core systems and partners fintech apps, enhancing its core capabilities, e.g. economic scenario generation with Straterix, balance sheet optimization with Detech, and banking book limits with Enfint.

FusionFabric.cloud

Creators

Fintechs, banks, ISVs, Universities

FusionCreator

Create applications in low-code environment

FusionOperate

Deploy and manage applications on Micorosoft Azure

FusionStore

Consume and monetize applications

DETECH Straterix ENFINT

Consumers

Banks & FIs

Core system accessible through public REST APIs

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ARC

ARC as-a-Service

Banking book SaaS, ALM and CECL methodology

ARC can be used as a cloud service, seamlessly working alongside other partner fintech cloud offerings mentioned earlier.

Finastra partners with leading managed services providers, combining deep expertise in delivering treasury and risk management solutions with cloud native experience, in order to offer evergreen cloud reliability, monitoring and support with minimal infrastructure requirements.

Benefits

A fully supported and evergreen cloud solution for balance sheet management

Increased operational efficiency (zero onsite deployment)

Quicker time to market for new features and business functionalities

Seamless software updates with minimal disruption to ongoing business operations

Scale on demand. Adjust platform's capacity with business growth

Reduced TCO of Treasury management by an average of about 20 to 40%

Preferential tax treatment of the spend as OpEx instead of CapEx

Strong security and reliability of the cloud

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