Helping Banks Manage Their Liquidity Risk, Enhance Compliance, and Lower Costs

The Best-Run Businesses Run SAP™

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Handle cash flows more effectively in a volatile market

What if you could instantly process vast amounts of cash-flow data for real-time decision making? And what if you could monitor key liquidity ratios and make complex calculations, faster and with less effort? In a highly regulated market with huge volatility and sudden liquidity droughts, this could help you lower liquidity risk and consistently meet your financial obligations.

A volatile market and widening credit spreads have decreased market liquidity and put pressure on current liquidity buffers. Meanwhile, new rules require banks to monitor liquidity risk ratios more closely and apply complex stress scenarios.

To ensure regulatory compliance and plan for market volatility, you must instantly aggregate increasingly large amounts of cash-flow data and analyze this data with high-level granularity. However, the rapid expansion of data has made it difficult and costly to access and process cash-flow transactions in real time.

The SAP® Liquidity Risk Management application helps you monitor and manage liquidity risk through real-time, high-speed liquidity reporting on large volumes of cash-flow data. Powered by the SAP HANA® platform, the application can aggregate and analyze hundreds of millions of cash-flow transactions from different sources in seconds.*

* This is based on SAP internal testing. Customer results will depend on system configuration.

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Manage your cash-flow exposures in real time

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Comply with new liquidity regulations like Basel III

Predict future liquidity exposures

Instantly identify measures to reduce risk

To ensure that your bank remains liquid and solvent at all times, it must be capable of constantly and instantly calculating key liquidity ratios on up-to-date cash flows that are constantly increasing in volume and velocity. Current relational database technologies do not allow for such real-time reporting because of their slow memory-access speeds and programming constraints.

SAP Liquidity Risk Management can aggregate and instantly analyze massive amounts of cash-flow transactions from many different sources at any level of granularity. The application is powered by the SAP HANA platform. This breakthrough in-memory technology enables analysis of very large, nonaggregated volumes of data at unprecedented speed in local memory (versus a disk-based database). By eliminating the need for aggregated information and materialized views, SAP HANA reduces latency, complexity, and cost.

Drawing on this technology, SAP Liquidity Risk Management can help you:

- Manage your cash-flow exposures in real time
- Run ad hoc scenario simulations and predict their impact on your cash-flow exposure
- Instantly identify measures to reduce your liquidity risk

Use real-time data for complex liquidity analyses and simulations.

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SAP Liquidity Risk Management provides instant access to data from SAP and non-SAP sources on cash flows from various financial instruments. The solution supports intraday data processing, allowing you to manage your liquidity risk in real time and eliminating the need for overnight and weekend batch jobs.

By providing real-time visibility into your cash flows, the application helps you quickly identify liquidity gaps, thus reducing the risk of not meeting your financial commitments and cutting your borrowing and funding costs. It can also help you comply with Basel III regulatory requirements for calculations of liquidity coverage ratios and reduce your compliance costs.

SAP Liquidity Risk Management automatically monitors key liquidity ratios calculated on massive amounts of up-to-date cash flows to give you continuous, real-time visibility into your cash-flow exposure. Preconfiguration tools let you set cutoff limits for these ratios and display alerts if these limits are reached.

You can drill down from aggregated results into individual cash-flow transactions at the country, product, and day level to identify root causes of liquidity gaps and take immediate and targeted corrective actions.

Calculate key risk figures such as liquidity coverage ratio, forward liquidity exposure, and liquidity gap.

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Predict future liquidity exposures

You can run predefined stress tests and apply advanced stress factors – such as haircuts, runoff rates, and asset reclassifications. This enables you to analyze the impact of various market scenarios on your liquidity exposure, address your liquidity gaps, and trim your exposure.

You can combine various market scenarios on the same chart for a more accurate picture of how your cash flows and liquidity risk ratios change from one scenario to another. The intuitive user interface simplifies the analysis and comparison of these scenarios and lets you customize the duration of the maturity band and focus on a specific set of liquidity ratios.

Because SAP Liquidity Risk Management is powered by SAP HANA, you can instantly recalculate your legal and economic cash-flow gaps along with other key liquidity ratios under different scenarios. All this happens in a split second, letting you react ahead of time and avert difficult financial turmoil.

Run advanced stress tests to determine the impact of future market scenarios on your liquidity exposure.

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Instantly identify measures to reduce risk

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You can use SAP Liquidity Risk Management to drill down from aggregated results into granular cash-flow transactions and simulate the impact of reducing specific cash outflows on your liquidity gap. By helping you quickly calculate your counterbalancing capacity, the solution helps you take instant corrective measures to improve your liquidity profile.

By understanding the impact of various cash-flow transactions on your liquidity gap, you can build a more robust liquidity cushion. Dealing proactively with problematic cash-flow transactions increases your ability to withstand market shocks. Frequent testing and simulation on cash flows helps you to be prepared for the future no matter how volatile the market is.

Strengthen your liquidity risk resilience and reduce borrowing, funding, and compliance costs.

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Meet current and future liquidity requirements in real time

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With SAP Liquidity Risk Management, you can meet your current and future cash-flow requirements with real-time support for liquidity risk management that:

- Performs high-speed liquidity-risk reporting on large volumes of cash flow
- Helps you predict future liquidity exposures in different market scenarios
- Lets you quickly identify the appropriate responses to dramatic changes in liquidity

Integration with the SAP StreamWork® application offers a transformational change in enterprise collaboration. By making it possible to share documents, liquidity data, and critical information, the application gets everyone on the same page for a collaborative decision-making process and a more holistic handling of liquidity risk.

Take a collaborative approach to decision making.

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Summary

The SAP® Liquidity Risk Management application can help you monitor and manage liquidity risk through real-time, high-speed liquidity reporting and risk management on large volumes of cash flows. Powered by the SAP HANA® platform, the application can access and instantly analyze massive amounts of cash-flow data from many different sources, at any level of granularity.

Objectives

- Reduce liquidity risk and consistently fulfill your financial obligations
- Plan ahead and understand the impact of future market scenarios on your liquidity exposure
- Ensure compliance with tighter regulatory requirements

Solution

- Real-time management of liquidity risk by rapidly processing large volumes of cash-flow data
- Predictions of future liquidity exposure by applying advanced, predefined stress factors to liquidity risk ratios
- Rapid identification of measures to reduce risk by drilling down to the granular level to identify liquidity gaps and calculate counter-balancing capacity

Benefits

- Make timely cash-flow decisions
- Strengthen your liquidity risk resilience
- Reduce borrowing, funding, and compliance costs
- Streamline compliance with Basel III regulatory requirements

Learn more

Call your SAP representative today or visit us at www.sap.com/hana.

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