



IBM **Information Management** software

# KPM Group, LLC Credit Risk Solution (CRS) for Commercial Lending and Leasing

## Partner Solution

### ■ **Target Industry**

*Banking and Financial Markets*

### ■ **Business Application**

*Risk Dashboards*

*Risk Mitigation*

*S&P ERM Rating Criteria*

### ■ **Products**

*IBM Banking Industry Enterprise Model*

*IBM DataStage*

*IBM InfoSphere Change Data Capture*

*IBM InfoSphere Information Services Director*

*IBM InfoSphere Master Data Management Server*

*IBM InfoSphere Metadata Workbench*

*IBM QualityStage*

## Business Challenge

Of critical importance to financial institutions is the ability to look at a customer's involvement across all countries, business units, and source systems, to understand the appropriate credit risk when decisioning new applications, as well as roll up data from all financial arrangements such as loans, contracts and leases, to monitor the existing risk level.

Given this information, organizations can strategically and profitably operate, ensuring alignment of customer and legal entity structure; meeting compliance requirements; and making appropriate regulatory, capital reserve and risk reserve calculations, as well as managing defaults and cures. This also supports the management of globally consolidated customer portfolios, as well as the ability to perform accurate risk based pricing and portfolio management.

A consolidated organizational view of risk determinants provides "one source of the truth," eliminating the need to manually check multiple systems and/or email multiple individuals. This also helps to improve risk, pricing accuracy, and the ability to fully leverage customer relationships, as well as streamline authorizations.

## The Solution

Using a Master Data Management approach, KPM Group's Credit Risk Solutions (CRS) for Commercial Lending & Leasing provides a consolidated organizational view of risk determinants and deal level assessments performed by the various transaction systems throughout an organization. This enables a comprehensive view of a legal entity and related information, for an accurate consolidated holistic risk view across multiple dimensions.

Leveraging IBM's suite of InfoSphere products and the IBM Banking Industry Enterprise Model to develop and deliver service-oriented banking solutions, CRS for Commercial Lending & Leasing transforms and integrates data across multiple disparate data sources, including credit decision and loss calculation engines and processes, and multiple reference databases, and works in conjunction with the Dunn and Bradstreet database.

## Value Proposition

CRS for Commercial Lending & Leasing has enabled the following benefits:

### – Improved Accuracy

- Up to 80 percent reduction in booking errors related to expected loss and usage of default expected loss usage (portfolio average).





- Reduces usage from up to +4 percent of deals to less than 1 percent.  
Reduced costs
- Improves labor savings of one full time employee (\$125,000 annual salary) per \$3 billion portfolio.
- Reduces IT costs as a result of decommissioning a number of either duplicate or overlapping IT systems.
- Eliminates requirements for multiple sources of reference data, reducing the overall costs of reference data providers.

#### – Improved Efficiency

- Increases no-touch decisioning target of 5 percent.
- Decreases vendor application data gathering and administration for a potential savings of one full time employee per \$3 billion portfolio.

#### – Streamlined Regulatory Compliance

- Simplifies Basel II/RAROC compliance and policy improvements by making changes in one system.
- Supports default loop processing, one rating per legal entity, and storage of credit risk data (EL, PD, EAD, LGD).
- Enables International Risk Board compliance, with potential savings in millions in capital requirements.

CRS also helps organizations capture more business by minimizing the number of deals not capitalized based on a limited view of overall relationship or overall credit history; and/or overly conservative risk assessment. A 5 percent increase in deal capture typically increases annual portfolio growth by 5 percent and increases overall profitability margin due to increases in volume.

### Company Description

KPM Group is a management consulting and systems integration firm dedicated to helping companies profitably expand their business. The career track record of our consultants is impressive, having helped numerous companies - from middle market to Fortune 500 - reach their goals.

KPM Group is focused on program management of complex system projects; management consulting to innovate and overcome business challenges; and, optimum leverage of technology services and outsourcing options. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive delivery results for many of the world's most successful companies, KPM Group collaborates with clients to help them become high-performance businesses and recognized leaders.

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