IBM

What's New: IBM Financial Markets Industry Models

Highlights

- **IBM Launches Financial Markets Industry Models.**

- **Defines the structures necessary to build an effective data, process and service infrastructure.**

- **Contains hundreds of best-practice Key Performance Indicators.**

- **Designed to focus on business requirements.**

Executive Summary

The Financial Markets industry is tackling two core challenges head on. The first is focused on its medium-to-longer term future, and the second is focused on its ability to respond to the challenges of efficiency, growth and resiliency in the short-to-medium term. Underscored by a recent IBM and the Economist research project, there is an emerging market bifurcation into companies who are risk providers and companies who assume risk. It's hard to escape from the overall message that risk is strategic to an organization's corporate intent

and survival. Simply put, while the majority of profits are coming from equities, profit margins are shrinking but volume remains strong, so how can organizations remain profitable and grow? Potentially, the confidence to push an organization in one way or another has either to do with their need to become a full service provider, or the need to specialize.

In either case, the longer-term future is built today by innovatively leveraging IT to solve key strategic business challenge such as providing solutions for governance, risk management and compliance, trade process transformation and enhancing the customer experience. Namely:

- Efficiency – streamlining trade processes, monitoring and execution handling to reduce cost and accelerate execution time in the middle and back office thereby simplifying and providing transparency.

- Differentiate for growth – delivering front office innovations that enhance the clients' experience through business process transformation and operational customer-centricity.

- Resiliency – agility to respond to threats through timely, intelligent financial reporting, and risk management solutions, which deliver insight into operational excellence, optimization of capital allocations and fraud identification.

Business Transformation

Taking a more proactive, enterprise-wide approach to managing compliance issues, will require organizations to leverage compliance and risk management in a way that creates new value for the business through greater transparency, better leveraged capital and increased trust. Greater transparency will be critical, not only because regulators and customers are demanding it, but also because of the emergence of collaborative business models and partnerships. Risk management and regulatory compliance require fast, accurate and complete data. The key for financial institutions will be to leverage compliance investments enterprise-wide by shifting the focus from implementing best-of-breed controls that solve specific problems to facilitating a decision-driven approach that helps the company grow revenue and profits, and manage the business more effectively.

IBM can help financial institutions tackle both ends of the risk equation by going beyond regulatory and compliance requirements to take a strategic approach to risk. Today's firms are being challenged to improve corporate decision making, optimize economic capital allocations and strengthen corporate control, resilience and compliance by facilitating the effective management, monitoring and control of risk. There has been a dramatic increase in focus on risk oversight and adopting a pro-active risk approach. Research conducted by IBM's Institute for Business Value shows that CROs state that their most important tasks are the development of policies and procedures, the monitoring of risk, and critically, the development of an Enterprise Risk Management culture. IBM can help a client execute faster, with increased reliability, in this dynamic marketplace.

IBM Financial Markets Models Release 7.0

IBM is proud to announce the introduction of its IBM Financial Markets Industry Models Release 7.0, which enhances IBM's market-leading value proposition and further extends its market leading financial services model portfolio.

The entire framework available to financial markets organizations consists of the IBM Financial Markets Data Models, which provide an overall analysis framework for handling risk management and regulatory compliance. The IBM Financial Markets Process Models are designed for financial markets organizations looking to re-engineer, broaden and standardize their core enterprise-wide business processes. The IBM Financial Markets Services Models are for organizations that are implementing new business process architectures, and for companies focused on their SOA strategy. Consequently, IBM enables Financial Markets companies to roll-out a coherent enterprise architecture approach to addressing AML, Basel II, Know Your Customer (KYC), MiFID, Sarbanes Oxley Act and Financial Management reporting.

IBM Financial Markets Data Models Release 7.0

The key capabilities of the data models include:

- Consists of ready-to-use Business Solution Templates, business vocabulary, and enterprise data warehouse designs that can be implemented selectively, or as a whole.

- Analyzes risk dimensions such as Know Your Customer (KYC) and Account Opening:

  - Reputational risk (including Insider Threat, and Anti-Money Laundering concerns),

  - Operational risk and concentration risk (consolidation of customer's account and consideration to customer relationships).

- Embodies the relevant requirements from the Markets in Financial Instruments Directive (MiFID) such as the categorization of counterparties as retail or professional.

- Delivers extensive reporting templates for Basel II, Sarbanes Oxley Act and areas such as relationship marketing, profitability, and asset and liability management.

- Supports analysis of financial transactions providing a single view of trades and associated reference data across the front and back offices. This covers topics such as exposure analysis, day trading identification and reporting on best execution.

- Contains an integrated data model support for clients wishing to implement a data warehousing alongside an operational master data management solution for party data.

IBM Financial Markets Process Models and Service Models Release 7.0
The key capabilities of the process and service models include:

Delivers workflows for Know Your Customer (KYC), Account Opening and MiFID:
- Provides standardized processes across channels for quick identification of existing customers and their situation.

- Supports customer profiling from needs analysis, account profiling, and customer validations for KYC and Anti-Money Laundering, account recommendation, to MiFID's suitability and appropriateness.

- Contains account setup details of the actual setting up of the account (documentation, communications and signatures, credit checks, account approval and activation, account manager and custodian assignment).

Enables Middle to Back Office Process Integration

- Delivers consistent integrated definition of process and data flows of the post-trade execution processes including the trade confirmation, the sending of the notice of execution to the customer, the allocation of execution across accounts, the calculation of fees and commissions, the trade matching, the application of settlement instructions, the trade confirmation and affirmation, and the settlement.

- Considers all aspects of risk management and compliance monitoring across the overall process and data necessary for the post trade processing transformation. The actual processing will typically be performed by commercial or in-house applications.

Order Handling and Best Execution
- Supports MiFID requirements for process definitions covering the establishment of the best execution policy, its monitoring, the identification and monitoring of the best execution venues (or intermediaries), order handling (including all validations and risk and limits analysis).

Identification and detailed specification of the services necessary to support the

deployment of the process models in Service-oriented Architectures.

IBM Industry Models Background
The Industry Models are used primarily for the development of internal company standards, and provide an overall integration layer across an organization's existing and future IT investments. With their strong business and IT orientation, the Industry Models are designed to be customized to reflect the precise needs of every company using them. Hence, every company will have its own customized industry-specific version of IBM's data, process and service models, allowing them to represent areas that are unique to their business and constitute competitive advantage. In addition, the models can be easily augmented to embrace industry extensions, jurisdiction and company-specific extensions easily. Moreover, the industry models can be used in a multitude of business areas such as:

Integration through Service-Oriented Architectures
Customers are using the IBM Service Models as part of their SOA strategy to integrate their legacy applications and new functionality through a layer of consistent service definitions that can be deployed on IBM middleware or on other infrastructures.

Core System Renewal
The IBM Service Models are also being used as component blueprints for the development of new core applications such as

policy administration systems or payment solutions.

Process Transformation
Customers are using the IBM Process Models to streamline their core processes across organizational boundaries. The models provide a strong basis for defining to-be processes and can be used to choreograph services through their strong connection to the service models. Some of the most frequent processes being refactored by customers are account opening, claim management and customer service.

Data Governance and Standardization
Customers are using the IBM Data Models to help define a corporate set of standard definitions and best practices around their data. The models provide business descriptive classifications (terminology and functions) and attribute-level definitions for any given data element. On behalf of the business, a data stewardship program can outline appropriateness, and data quality guidelines. In turn, IT can then use data integration, business integration and master data management infrastructure to enforce standards and use data profiling techniques for compliance monitoring or exception alerting.

Operational Insight, Risk and Compliance
Customers are using the IBM Data Warehouse Models to provide a comprehensive analytical reporting framework encompassing key performance in areas of relationship

marketing, profitability, risk and compliance, and asset and liability management. The data warehouse models support the reporting needs of a series of regulatory requirements such as Basel II, Sarbanes Oxley or the European Union Solvency regulation.

Key Capabilities

- Enables business users to easily scope and customize their own requirements.

- Facilitates step-by-step business-focused development and roll-out.

- Delivers regularly updated business, technical and regulatory content.

- Creates open technology platforms for any application or integration solution.

- Manages definitions and standards in complex IT environments.

- Integrates with IBM's Component Business Model used for business re-engineering.

- Ensures usage of business definitions across an enterprise's data, process and services layers.

Differentiation

- Proven – Most of the top ten insurance companies and banks worldwide are using the IBM Industry Models in various facets of their business-driven IT strategies, such as risk and compliance reporting and process transformation.

- Business-ready – The models are proven to foster collaboration and approval between business and IT, as necessary, to turn business requirements into actionable solutions.

- Compliant – Subject matter experts have distilled compliance regulations into statutory reporting and business process requirements without the need for external development.

- Comprehensive – Content garnered from multiple client engagements is turned into a suite of interrelated data, process and service models, with a proven methodology and models that require minimal customization.

Benefits

- Support most data requirements out of the box

- Drastically reduces process, use Case analysis and design

- Compresses project time significantly, compared to custom, in-house development projects

- Accelerates time taken to secure stakeholder approval

About the IBM Industry Models

The IBM Industry Models provide structured and deployable business content for financial markets organizations. It consists of integrated data (operational and informational), process, service and component models consistently defined across business requirements, analysis and design. This overall validated structure fosters business and IT collaboration and enterprise-wide approaches and ensures that projects are delivered faster and with less risk.

The models are uniquely designed to facilitate the deployment of a service-oriented architecture (SOA) involving infrastructure, such as Master Data Management, Business and Data Integration platforms. With more than 400 customers worldwide, the IBM Industry Models have been used successfully to accelerate the deployment of strategic business initiatives, such as core system and process renewal, data warehousing and business intelligence, risk and compliance, new product introduction, customer experience, and financial management.