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Oracle Financial Services Capital Adequacy Pack (OFS CAP ADQ)

Release 8.0.5.0.0

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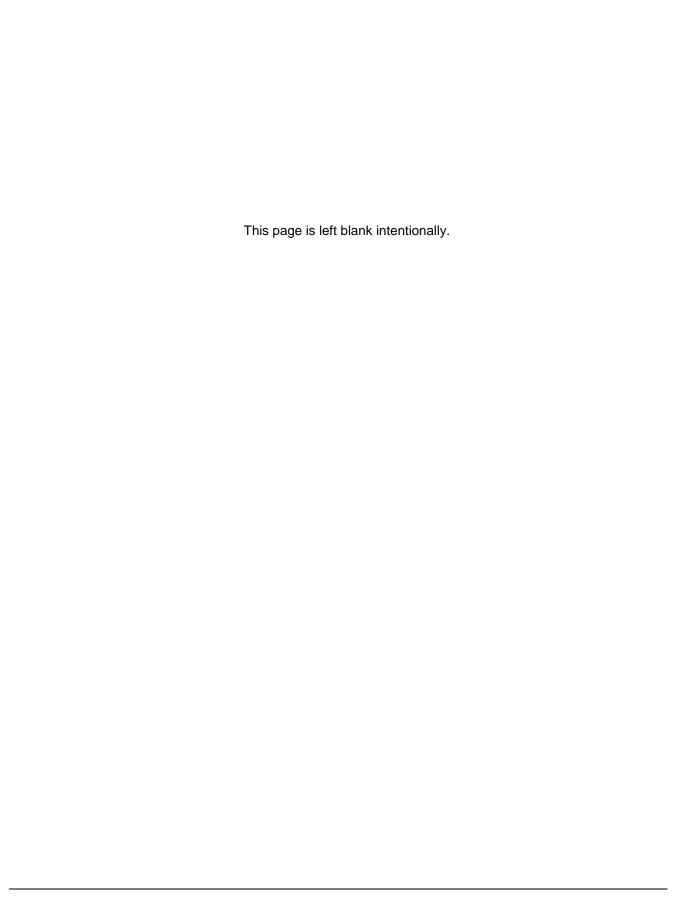## Document Versioning

Version	Date	Change Reference
02	October 17, 2017	Updated: Final version published
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Preface

This Preface provides supporting information for the Oracle Financial Services Analytical Applications Infrastructure (OFSAAI)/ Oracle Financial Services Capital Adequacy (OFS CAP ADQ) Pack Release Notes and includes the following topics:

- Overview of OFSAA
- Purpose of This Document
- Intended Audience
- Documentation Accessibility
- Related Documents

Overview of OFSAA

In today's turbulent markets, financial institutions require a better understanding of their risk-return, while strengthening competitive advantage and enhancing long-term customer value. Oracle Financial Services Analytical Applications (OFSAA) enable financial institutions to measure and meet risk adjusted performance objectives, cultivate a risk management culture through transparency, lower the costs of compliance and regulation, and improve insight into customer behavior.

OFSAA uses industry-leading analytical methods, shared data model and applications architecture to enable integrated risk management, performance management, customer insight, and compliance management. OFSAA actively incorporates risk into decision making, enables to achieve a consistent view of performance, promote a transparent risk management culture, and provide pervasive intelligence.

Oracle Financial Services Analytical Applications delivers a comprehensive, integrated suite of financial services analytical applications for both banking and insurance domain.

Purpose of this Document

This document contains release information for Oracle Financial Services Analytical Applications Infrastructure (OFSAAI)/ Oracle Financial Services Capital Adequacy (OFS CAP ADQ) Pack.

Oracle recommends you review its contents before installing, or working with the product.

Intended Audience

This document is intended for users of Oracle Financial Services Analytical Applications Infrastructure (OFSAAI)/ Oracle Financial Services Capital Adequacy (OFS CAP ADQ) Pack.

Documentation Accessibility

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Related Documents

This section identifies additional documents related to OFS CAP ADQ Application 8.0.5.0.0. You can access Oracle documentation online from the Documentation Library (OHC).

- ♦ OFSAA Capital Adequacy 8.0.5.0.0 Installation Manual
- ♦ OFS Basel Regulatory Capital IRB 8.0.5.0.0 User Guide
- ♦ OFS Basel Regulatory Capital Basic 8.0.5.0.0 User Guide
- ♦ OFS Basel Regulatory Capital Analytics 8.0.2.0.0 User Guide
- ♦ OFS Economic Capital Advanced Release 8.0.1.0.0 User Guide
- ♦ OFS Operational Risk Economic Capital Release 8.0.3.1.0 User Guide
- ♦ OFS Retail Portfolio Risk Models and Pooling Release 8.0.0.0.0 User Guide

Introduction

Oracle Financial Services Advanced Analytical Applications Infrastructure (OFS AAAI) Application Pack provides integrated stress testing and modeling capabilities that you can readily apply across multiple risk areas enabling institutions to devise appropriate enterprise-wide and holistic risk and economic capital strategies.

Oracle Financial Services Capital Adequacy (OFS CAP ADQ) Application Pack enables you to comply with regulatory requirements on stress testing, enables advanced customer and portfolio analytics, and utilizes multiple industry standard techniques, tests, and models with complete data integrity.

Components of OFS Capital Adequacy Application Pack

OFS CAP ADQ Application Pack includes the following applications:

- **Oracle Financial Services Economic Capital Advanced**: This application provides integrated risk and capital management solution with built-in statistical modeling features for advanced risk analytics and decision support systems.

- **Oracle Financial Services Basel Regulatory Capital Basic**: The application encompasses Credit, Market, and Operational Risks and provides a detailed breakup of the Capital Requirements across various tiers of capital, namely, Common Equity Tier 1, Additional Tier 1 and Tier 2 capital. The application supports the computation of Capital Adequacy Ratio (CAR) as per the Basel I, Basel II and Basel III guidelines laid out in the BIS, India, USA, Islamic Banking, Brazilian, CBRC, and European Jurisdictions.

- **Oracle Financial Services Basel Regulatory Capital Internal Ratings Based Approach**: This application is based on the approaches supported by the OFS Basel Regulatory Capital Basic Application as well as the advanced approaches for BIS, USA, CBRC, Indian, and European Jurisdictions.

- **Oracle Financial Services Basel Regulatory Capital Analytics**: This application allows institutions to capitalize on their Basel II / Basel III compliance investments by providing extensive dashboards that enable efficient and timely Pillar I analysis and Pillar 3 disclosures, and provide a complete platform for strategic decision-making across the institution.

- **Oracle Financial Services Operational Risk Economic Capital**: This application provides pre-configured models based on actuarial methods that enable institutions to calculate capital for operational risk. This is achieved through the computation of the risk measures such as Operational Risk VaR and Conditional VaR.

- **Oracle Financial Services Retail Portfolio Risk Models and Pooling**: This application, which is a part of the Oracle Financial Services Enterprise Risk Management suite of advanced risk analytical applications, provides a pre-built, scalable and easily deployable method for retail pooling and loss measure estimation.

Oracle Financial Services Capital Adequacy Application Pack

Oracle Financial Services Capital Adequacy (OFS CAP ADQ) Application Pack is a separately licensed product.

This chapter includes the following topics:

- [New Features](#)
- [How to Apply this Maintenance Release?](#)
- [Limitations or Known Issues of OFS CAP ADQ Pack](#)
- [Limitations or Known Issues of AAI and AAAI](#)

New Features

In the OFS Basel Regulatory Capital Release 8.0.5.0.0, we are catering to changes across two jurisdictions – Europe and India.

Also, as part of the conformance with the general data expectation across all the applications using the Oracle Financial Services Data Foundation, Basel application has complied with the data expectations for the following:

- Commitment Contracts
- Credit Line Issued
- Account Mitigant Mapping
- Assets Sold Exposures
- Spot Forex Transactions
- Forward Contracts

These data expectation conformance changes are applicable across all jurisdictions to which the Basel application caters to.

The OFS CAP ADQ application is aligned with the Basel reporting framework to ensure seamless reporting using OFS Regulatory Reporting framework.

European Jurisdiction (EU)

As part of this release, the solution is compliant with the Internal Ratings Based approach regulations of the EU (CRR IV) which was published in July 2013. The solution is now completely compliant with the CRR IV guidelines.

The following enhancements are introduced in this release to cater to the CRR IV related latest regulations for European jurisdiction.

- Compliance with Credit Risk IRB Approach
- Compliance with Credit Valuation Adjustment Advanced Approach
- Compliance with a mixed approach requirement to accommodate both standardized and IRB approach for Credit Risk calculations

Indian Jurisdiction (RBI)

As part of this release, the changes brought about by the RBI after the Master Circular, that is, revised guidelines published on November 10, 2016, are taken into account.

The following enhancements are introduced in this release to cater to the Basel III related latest regulations for Indian jurisdiction.

♦ Counterparty Credit Risk calculation as per Standardised Approach Counterparty Credit Risk (SA-CCR)
♦ Capital requirements for bank exposures to central counterparties computations as per revised guidelines of Standardised Approach Counterparty Credit Risk (SA-CCR)
♦ Risk Weight for housing loan with issue date after June 7, 2017

For detailed information on usage of the existing features, see *Oracle Financial Services Capital Adequacy Pack Release 8.0.5.0.0 User Guide* from OHC Documentation Library.

For more information on the OFS AAI requirements, see *OFS Advanced Analytical Applications Infrastructure Application Pack 8.0.4.1.0 Readme* in OHC Documentation Library.

How to Apply this Maintenance Release?

For detailed instructions on installing this OFS CAP ADQ Pack release, see *Oracle Financial Services Capital Adequacy Pack Release 8.0.5.0.0 Installation Guide* from OHC Documentation Library.

Limitations and Known Issues of OFS CAP ADQ Pack

The limitations or known issues in OFS CAP ADQ Pack Release 8.0.5.0.0 is as follows.

Component	Sub Component	Bug ID	Description
Metadata	Metadata Configuration	26758029	Basis Transactions and Volatility Transactions are currently not treated separately in SA-CCR approach and are clubbed in terms of hedging set with Other Transactions.
		26938571	SACCR: The pay and receive amounts are not being stored simultaneously for Cross Currency swaps.
		26953597	CCP: Collateral placed against an exposure should be checked for bankruptcy remote attribute when assigning risk weight to exposure.
		26944855	The Equity Exposures which go for IMM treatment and receive 1250% RW can be deducted from capital. Currently, the solution handles only the 1250% RW part. And not the deduction from the capital. The CAP ID CAP1572 must be populated by the solution for this 1250% RW, based on run management selection. Also, the sold credit protection exposure which receives 1250% RW, as per the IRB capital rule, will have to be deducted from capital. The CAP ID CAP1571 must be populated by the solution for this 1250% RW, based on run management selection.

Component	Sub Component	Bug ID	Description
		26937486	CCP: Capping of QCCP's Capital to that computed for a non-QCCP is not happening currently for trade exposures.
		26862671	The collateral which are placed by the bank with other banks, in the case of SFT transactions, do not have the haircut getting assigned, in line with the regulations.
Non Securitization	--	26921118	SACCR: Net Independent Collateral Amount does not currently consider bankruptcy remote indicator as per revised approach for CCP exposures.

Limitations and Known Issues of AAI and AAAI

The limitations or known issues and other details of OFS AAI and OFS AAAI Release 8.0.5.0.0 are described in the *OFS Advanced Analytical Applications Infrastructure (OFS AAAI) Application Pack Readme* in OHC Documentation Library.

Hardware/Software Tech Stack Details

The hardware/software combinations required for OFS AAI/AAAI 8.0.5.0.0 are available at OHC Tech Stack. Refer to **OFSAA 8.0.5.0.0** for hardware and software requirements.

Licensing Information of Third Party Software

For details on the third party software tool used, see *OFSAA Licensing Information User Manual Release 8.0.5.0.0* available in the OHC Documentation Library.

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