

Oracle Financial Services
International Financial
Reporting Standards
Pack (OFS IFRS)

Version 8.0.2.0.0

Release Notes

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Financial Services

DOCUMENT CONTROL

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Preface

This Preface provides supporting information for the Oracle Financial Services International Financial Reporting Standards Pack Release Notes and includes the following topics:

- [Overview of OFSAA](#)
- [Purpose of This Document](#)
- [Intended Audience](#)
- [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 models, 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 the banking and insurance domain.

Purpose of This Document

This document contains release information for the following products:

- Oracle Financial Services Loan Loss Forecasting and Provisioning (OFS LLFP)
- Oracle Financial Services Hedge Management and IFRS Valuations (OFS HMIFRS)

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 IFRS Application Pack.

Access to Oracle Support

Oracle customers have access to electronic support through My Oracle Support. For information, visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=info> or visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=trs> if you are hearing impaired.

Related Documents

This section identifies additional documents related to OFSAA Infrastructure. You can access Oracle documentation online from Documentation Library for [OFSAA IFRS 8.x](#).

- Oracle Financial Services IFRS Pack Release 8.0.2.0.0 Installation Manual
- Oracle Financial Services LLFP Release 8 User Guide
- Oracle Financial Services HMIFRS Release 8 User Guide

1 Introduction

Oracle Financial Services International Financial Reporting Standards (IFRS) Application Pack comprises Oracle Financial Services Loan Loss Forecasting and Provisioning (LLF&P) and Oracle Financial Services Hedge Management and IFRS Valuations (HMIFRS).

1.1 Components of the IFRS Application Pack

OFSIFRS Application Pack includes the following applications:

- **Oracle Financial Services Loan Loss Forecasting and Provisioning:** Oracle Financial Services Loan Loss Forecasting and Provisioning (LLF&P) is designed to aid institutions in calculating the provision for exposures as per IAS39 and IFRS 9. Proposed guidelines want institutions to estimate future losses and make provisions accordingly. Thus, the LLF&P Application calculates expected loss as well as incurred loss. International Financial Reporting Standards (IFRS 2009) guidelines have set out new requirements on the classification and measurement of financial assets and liabilities. It specifies two approaches for the measurement of assets namely Amortized Cost and Fair Value approach. A Run in the LLF&P Application specifies the approach (Expected Loss or Incurred Loss) to be used to calculate Loan Loss Provisioning. Broadly these approaches (Expected loss and Incurred loss) are further classified depending upon the product type and impairment status of the account.
- **Oracle Financial Services Hedge Management and IFRS Valuations:** Oracle Financial Services HMIFRS enables financial institutions to manage their hedges and to define new hedge relationships and monitor them from time to time in a process-oriented manner. Traditionally, financial institutions manage it through a process that demands a lot of manual intervention. This poses challenges to meet the regulatory demand for documentation and maintenance. HMIFRS product addresses this need by storing hedge relationships at desired levels and computing hedge effectiveness using industry-standard valuation techniques. It allows users to classify a financial instrument into any one of the prescribed categories and to reclassify it as another in the future. Then, it computes the fair value of all the financial instruments and profit/ loss on such valuation. It enables banks to manage fair valuation and hedge relationships and their effectiveness at a central place in a process-driven manner.

2 Release Highlights

From OFSAA 8.0 release onwards, the concept of a grouping of functionally similar applications as a pack is being introduced. The OFS IFRS pack contains the following two functionally similar applications:

- Oracle Financial Services Loan Loss Forecasting and Provisioning (OFS LLFP)
- Oracle Financial Services Hedge Management and IFRS Valuations (OFS HMIFRS)

2.1 Oracle Financial Services Loan Loss Forecasting and Provisioning

2.1.1 IFRS 9 Run

During the financial crisis, the delayed recognition of credit losses on loans and other financial instruments is considered a weakness gave the existing accounting standards. Specifically, the existing model in IAS 39 (an 'incurred loss' model) delays the recognition of credit losses until there is evidence of a trigger event. Post the crisis, the International body for accounting standards (IASB) saw the need to be proactive in recognizing the losses. Hence, IASB has issued a fresh set of guidelines for Financial Instruments - IFRS 9 related to three areas. Impairment is one of the phases/areas covered by the IFRS 9 guidelines to handle expected credit losses. The expected credit loss guidelines of IFRS 9 are more proactive and forward-looking in terms of loss recognition. To be compliant with the IFRS 9 guidelines, OFSAA has upgraded its existing Loan Loss Forecasting and Provisioning application.

The IFRS 9 Run includes the Following Processes:

Stage Determination Run: This stage determination run caters to the IFRS 9 Impairment guidelines that require an entity to evaluate the significance of an increase in the credit risk of a financial instrument based on various parameters including forward-looking and macro-economic factors. The Run starts with the data population to obtain the data required for Stage Determination. The non-standard/external data formats are now reclassified to standard/internal data formats. The process consists of a set of pre-built and easily configurable business rules that determine the stage either individually or collectively. The final subprocess is to assign a stage at an account level granularity (either through Individual or collective basis) based on the data provided and rules configured.

Manual Reassignment: This step enables the financial institutions to override the outcome of the Stage Determination Run and reassign the stage. This process goes through a Maker- Checker workflow with an audit trail. It helps the entity to provide for rebuttable presumptions of the IFRS 9 Impairment guidelines and also to take into consideration any judgmental factors.

ECL Run: The ECL Calculation Run caters to the estimation of the Expected Credit Loss, includes Allowance and Provision, for every account based on its risk characteristics using any one of the four available methodologies. The run begins with the Methodology Selection

subprocess to assign a specific calculation methodology for each of the accounts processed by the application. The selection of methods is based on specific factors that are taken into consideration by the application which are again configurable by the entity. The four methodologies are Cash Flow, Forward Exposure, Provision Matrix (Loss rate), and Specific provision. Post methodology selection, the application then calculates either the 12 Month Expected Credit Loss or a Lifetime Expected Credit Loss, depending on the stage it has been assigned to, again at an account level granularity, based on the approach as per the method selected. The ECL values are also calculated for off-balance sheet instruments, undrawn portions, and POCI accounts.

3 Limitations and Known Issues

3.1 Limitations and Known Issues of AI and AAI

- The model upload option (Erwin or DB Catalog) mode for the subsequent uploads is not the same as the initial upload mode.
- Exporting object type with code 2000 (User) fails if FAILONERROR is set to N.
- The dynamic table created during Data File Mapping has incorrect column data types.
- Data Mapping screen alignment changes if the tables selected are with big names.
- The description is not getting updated in Excel Upload edit mode.
- Export with Include Search Info option for Type =1 container is not showing search information when exported to Excel Sheet.
- Saving Data Mapping definition takes a long time if an entity containing many attributes (>100 columns) is selected as a Source entity.
- Execution of Models based on NAG Techniques is not supported on Solaris x86-84 due to the non-availability of NAG libraries.

3.2 Limitations and Known Issues of LLFP and HM

3.2.1 LLFP

Component	Sub Component	Bug No	Subject/Description
Data Mode		22298130	UPTAKE STG_INSTRUMENT_CONTRACT_MASTER IN LLFP
Others		22699195	STAGE DETERMINATION RUN ID SHOULD BE A DROP-DOWN
Others		22699059	STAGE DETERMINATION RUN ID IS REQUIRED TO BE INPUT BY THE USER FOR THE RUN ITSELF
Others		22932065	IFRS - PRODUCT (HLLFP039): PRODUCT NAMES ARE NOT GETTING DISPLAYED
User Interface		23014133	'RUN EXECUTION SUMMARY' SCREEN IS NOT WORKING

3.2.2 HM

Component	Sub Component	Bug No	Subject/Description
User Interface		20393084	STATUS IS NOT UPDATING ON EXECUTING THE HEDGE EFFECTIVENESS PROCESS
		23265849	DEFAULT LIMITS DEFINED IN LIMIT SCREEN IS NOT APPEARING IN

			HEDGE DEFINITION
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4 Hardware/Software Tech Stack Details

The hardware/software combinations required for OFS AAI/AAAI 8.0.2.0.0 are available at [OTN Tech Stack](#).

5 Information of Third Party Software Tools Used

5.1 The Apache Software License, Version 2.0

Apache License

Version 2.0, January 2004

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