

**Oracle® Financial Services Hedge
Management and IFRS Valuations**

User Guide

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Preface

This User Guide documents Oracle Financial Services Hedge Management and IFRS for all versions of Release 8. Some functional improvements have been introduced in various service packs and point releases within Release 8.0.4.0.0.

Audience

This document is intended for the users of the Oracle Financial Services Hedge Management application.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=docacc>.

Access to Oracle Support

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Related Documents

For more information, see the following documents in the Oracle Financial Services Help Center:

- *Oracle Financial Services IFRS Installation Guide 8.0.4.0.0*

Conventions

The following text conventions are used in this document:

Convention	Meaning
boldface	Boldface type indicates graphical user interface elements associated with an action, or terms defined in text or the glossary.
<i>italic</i>	Italic type indicates book titles, emphasis, or placeholder variables for which you supply particular values.
monospace	Monospace type indicates commands within a paragraph, URLs, code in examples, text that appears on the screen, or text that you enter.

Introduction to Oracle Hedge Management and IFRS Valuations

This chapter provides an introduction to Oracle Hedge Management and IFRS Valuations and discusses its place in the Oracle Financial Services Analytical (OFSAA) group of applications.

1.1 OFS HM and other Oracle Financial Services Applications

Oracle Financial Services Hedge Management (HM) operates on top of a common infrastructure, Oracle Financial Services Analytical Applications Infrastructure (OFSAAI). OFSAAI is the central, integrated data source and application infrastructure on which Oracle Financial Services Analytical (OFSAA) applications are built. OFSAA applications form a comprehensive decision support solution that significantly enhances enterprise risk and performance management functions across a financial institution.

1.1.1 Oracle Financial Services Enterprise Performance Management

To help financial institutions grow, manage risk, and optimize shareholder value, Oracle delivers a comprehensive, integrated suite of financial services analytical applications for enterprise performance management (EPM).

More than ever, financial institutions, their regulators as well as their shareholders are focused on the need to measure and meet risk-adjusted performance objectives, price products to reflect their true risk, and better understand how their institution is impacted by threats to liquidity, capital adequacy, and exposure to market rate volatility.

1.1.2 OFSAA Data Model

OFSAA Data Model (OFSAADM) is shipped with optimized data structures and pre-packaged data elements developed specifically for the financial services industry. OFSAADM is the foundation for the OFS applications. It provides the database structures necessary to support individual business applications.

1.1.3 OFSAA Infrastructure

OFSAA Infrastructure is the foundation for OFSAA. It provides support for User Administration, Metadata Management, a Processing Framework, a Forms Framework, and additional capabilities necessary to support the individual business applications.

1.1.4 OFSAA Funds Transfer Pricing

Oracle Financial Services Funds Transfer Pricing is the industry's first and leading matched maturity funds transfer pricing application, enabling financial institutions to determine the spread earned on assets, from funding sources, and the spread earned as a result of interest rate exposure for each customer relationship. This enables accurate assessment of profitability along with the product, channel, and business lines, as well as the centralization of interest rate risk so it can be effectively managed. Oracle Financial Services Funds Transfer Pricing is fully integrated with Oracle's Financial Services Analytical Applications and shares a common customer account level data model.

The transfer pricing process isolates the four major sources of a bank's margin:

- ⌚ The spread earned on assets
- ⌚ The spread earned on liabilities
- ⌚ The spread earned or lost as a result of interest rate exposure
- ⌚ The spread earned or lost as a result of embedded options such as prepayments

Measuring and managing the interest margin offers tremendous profit opportunities. By separating the components of net interest income, Oracle Funds Transfer Pricing isolates rate risk into your funding center where it can be centrally managed. In turn, business units are held accountable for what they can control: pricing and profitability. Armed with this highly accurate information, companies make solid, supportable decisions that lead to increased success in the marketplace.

1.1.5 OFSAA Profitability Management

Oracle Financial Services Profitability Management enables financial services institutions to calculate profitability by products, channels, segments, and even individual customers. These profitability calculations are adjusted for risk, and they drive Risk-Adjusted Performance Management (RAPM), an imperative for financial services institutions operating in this rapidly evolving and complex industry.

Isolating and analyzing business unit profitability is only the first step in building effective profitability management. To hold operational managers truly accountable for the profitability, senior management must give them the power to identify the products that are profitable in each market segment, for each customer. Together with OFSAA Transfer Pricing, OFSAA Profitability Management is the tool that delivers this power. Profitability Management links general ledger, account-level, and statistical data together to produce detailed financial statements for individual business units, products, and customers. Combining powerful modeling and disciplined accounting, OFSAA Profitability Management delivers complete, accurate, and inclusive profiles of profitability.

1.1.6 OFSAA Pricing Management, Transfer Pricing Component

Oracle Financial Services Pricing Management, Transfer Pricing Component is an interactive application that provides real-time transfer rates to support pricing loan transactions that reflect immediate market conditions. Risk-based pricing queries are directly integrated with the Oracle Financial Services Funds Transfer Pricing solution and leverage the same business rule logic. Query results incorporate all details of the underlying transfer price and include all elements of a product's profit and loss, including the allocated expense, expected loss, and capital charge.

1.1.7 OFSAA Asset Liability Management

Volatile market conditions and increasing regulatory pressures are placing greater demands on the risk management function. These stresses are driving financial

institutions to review their current risk modeling and measurement capabilities. Yet, these circumstances also provide institutions with the opportunity to update technology solutions to systems fully integrated across the risk and performance spectrum. Departmental, one-off solutions are no longer viable alternatives in an environment where all systems need to work together.

Oracle Financial Services Asset Liability Management (ALM) helps financial services institutions measure and manage interest rate risk and liquidity risk, perform balance sheet valuations, and forecast both net interest income and net income. The Oracle Financial Services ALM solution has the ability to measure and model every loan, deposit, investment, and off-balance sheet instrument individually, using both deterministic and stochastic methods. This helps institutions gain a better understanding of the risks they have assumed and their sensitivity to changes in economic conditions.

1.1.8 OFSAA Balance Sheet Planning

Oracle Financial Services Balance Sheet Planning is designed to help financial services institutions budget for a full balance sheet and the associated profit and loss statement. Banks have a number of very unique needs when looking ahead. They must be sensitive to economic conditions, and create plans that not only forecast future performance, but also the forward risks they are assuming. Most importantly, they require tools that accurately forecast the net interest margin. By accurately modeling the detailed and complex events on a bank's balance sheet, for both the current book of business and forecasted new volumes, Oracle Financial Services Balance Sheet Planning enables the delivery of accurate margin forecast and comprehensive, meaningful budgets.

1.1.9 OFSAA Business Intelligence Applications

OFSAA Business Intelligence (BI) Applications are complete, prebuilt BI solutions that deliver intuitive, role-based intelligence for everyone in an organization - from front line employees to senior management - that enable better decisions, actions, and business processes.

Overview of OFSAA Infrastructure

2.1 OFSAA Infrastructure

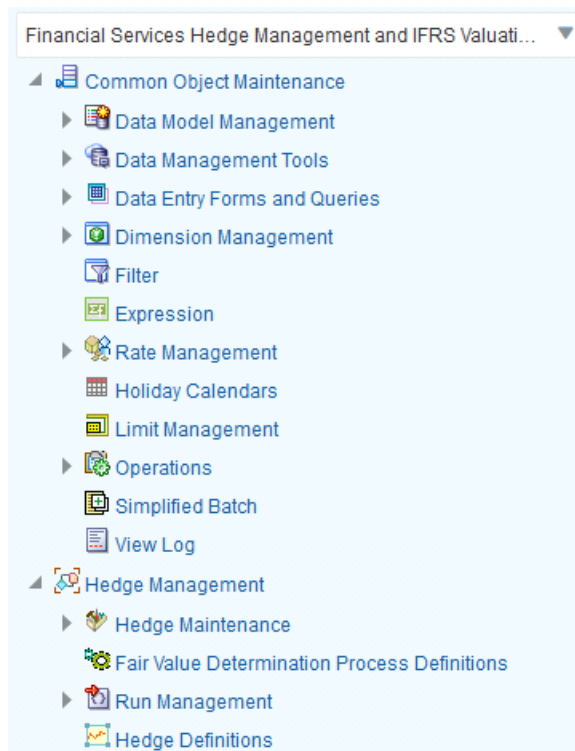
OFSAA Infrastructure includes facilities for creating and maintaining the following:

- ⌵ Dimensional reference data
- ⌵ Interest rate and currency exchange rate data
- ⌵ Process tuning data

OFSAA Infrastructure also includes functionality for building and maintaining rules that may be used by any Oracle Financial Services Analytical Application. These common rule objects include the following:

- ⌵ Expressions
- ⌵ Hierarchies
- ⌵ Filters

The Application LHS menu enables you to access the OFSAAI components as well as the OFS HM specific components. The structure of the LHS menu is as depicted in the following figure:



2.2 Overview of Dimensionality in OFSAA

Dimensions are used to stratify your business data for processing or reporting purposes. For example, at a minimum General Ledger systems are typically stratified by a General Ledger dimension, an organization or cost center dimension, and a time dimension. Customer account level data will normally have these same dimensions but are often additionally segmented by dimensions such as Product or Customer. You may wish to construct models using a specialized product dimension or other customized dimensions such as geography, cost pool, transaction, activity or channel.

Dimensions are comprised of lists of members. For example, the Organizational Unit dimension might be comprised of Branch #1, Branch #2, Branch #3, and so on. Some dimensions may contain tens or even hundreds of thousands of members (for example, a large organizational or customer dimension) while others may contain as few as two members (for example, a simple product-type dimension with values of Fixed and Variable).

The member values or "Chart of Accounts" for each dimension may be maintained either internally within the OFSAA Infrastructure or externally.

2.2.1 Internally

OFSAA Infrastructure includes functionality for Adding, Viewing, Editing, or Deleting dimension member values. Which of these functions you can access depends on your logon privilege and on the dimension with which you wish to work. For details on the creation and maintenance of Dimension Members, see the Dimension Management chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

2.2.2 Externally

You may choose to source and maintain some Charts of Accounts from external systems such as your General Ledger, a Data Warehouse, or from some other external master data management system.

2.2.3 Combination

You may also choose to maintain some Chart of Account values from an external source while maintaining other Chart of Account values internally.

2.3 Referential Integrity

You may have dimension member values defined in your Chart of Accounts that do not exist in your business data, particularly if the dimension member values are used as attribute values (see discussion of Attributes in the following sections). But you would never want to have an occurrence of a dimension member value in your business data that did not exist in the dimension's Chart of Accounts. When you load business data into OFSAA, you need assurance that there are no dimension member values present in the business data that are not defined in your Chart of Accounts. For details on ensuring referential integrity between your business data and your Chart of Accounts data, see *Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide* in OHC Documentation Library.

2.4 Dimension Attributes

Some OFSAA dimensions support attributes. Dimension attribute values are used to qualify dimension members. For example, a cost center, say Branch #1, might have a Head count attribute with a value of 32 and a Volume attribute with a value of High. A product dimension

member, say 30-year fixed rate jumbo LIBOR mortgage, might have a Rate attribute with a value of LIBOR, a Size attribute with a value of Jumbo, and a Loan Type attribute of Fixed. A General Ledger account, say Benefit Expense, might have an Account Type attribute with a value of Non-Interest Expense.

Like dimensions, attributes are used to stratify your business data for processing or reporting purposes. Some dimension attributes are seeded within the OFSAA data model and are used extensively in processing. You may define as many user-defined attributes as you need.

OFSAA Infrastructure includes functionality for Adding, Viewing, Editing, or Deleting dimension attributes. Which of these functions you can access depends on your logon privilege and on the dimension with which you wish to work. For details on the creation and maintenance of dimension attributes, see Dimension Management chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

Once an attribute has been defined for a dimension, attribute values may be assigned to individual dimension member values. These attribute values may be open-ended (dates, numbers, or strings) or may be restricted to a defined set of members.

2.5 Hierarchies

Some OFSAA dimensions support hierarchies. Hierarchies may be used to provide sophisticated stratification for either processing or reporting purposes. For example, an organizational hierarchy might start with a Division level containing Western Region, Eastern Region, and Southern Region; the next level down within the hierarchy might be state or county. A product hierarchy might begin with branches for Asset vs. Liability vs. Service products; under the Asset branch, you might define additional branches for Mortgage Lending, Commercial Lending, Consumer Lending, and so on. Hierarchies are used extensively in OFSAA models to assign methods to products and to support allocation methodologies.

Like dimension members, dimension hierarchies may be maintained either internally within the OFSAA Infrastructure or externally.

2.5.1 Internally

OFSAA Infrastructure includes functionality for Adding, Viewing, Editing, or Deleting hierarchies. Which of these functions you can access depends on your logon privilege and on the hierarchy with which you wish to work. For details, on the creation and maintenance of hierarchies, see Dimension Management chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

2.5.2 Externally

You may choose to source and maintain some or all of your hierarchies from external systems such as your General Ledger, a Data Warehouse, or from some other external master data management system, such as Oracle Data Relationship Management (DRM). See Oracle Financial Services Analytical Applications Data Model Utilities User Guide in OHC Documentation Library for details on loading hierarchy data from external systems.

2.5.3 Combination

You may also choose to maintain some hierarchies from an external source while maintaining other hierarchies internally.

2.6 Roll up Members for Dimensions Supporting Hierarchies

For dimensions that support hierarchies, every dimension member value has the property of being either a "leaf" value (child-only or last descendent child value) or a "roll up node" value. For example, if Branch #1, Branch #2, and Branch #3 all belonged to the West roll up point of an organizational hierarchy, then West would also be a dimension member value of the Organizational Unit dimension. Your business data is typically expressed at the "leaf" level.

2.7 Dimension Types

OFSAA supports following three fundamentally different dimensions:

- ⌘ Key Processing Dimensions
- ⌘ Standard Dimensions
- ⌘ Simple Dimensions

2.7.1 Key Processing Dimensions

Key Processing Dimensions have the following features:

- ⌘ Accessible as modeling dimensions for all of the OFSAA analytical engines.
- ⌘ Expressed as columns in nearly all of your business fact tables.
- ⌘ Support both attributes and hierarchies

Metadata for Key Processing Dimensions are stored in the following four tables:

- ⌘ A base table
- ⌘ A translation table
- ⌘ An attribute table
- ⌘ A hierarchy table

Base tables store basic information about each dimension member and translation tables store names and descriptions for each dimension member in multiple languages (see Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide for details on multi-language support). Attribute tables store one or many attribute values for each dimension member. Hierarchy tables store one or more hierarchies for each dimension (you may define as many hierarchies as you wish for any dimension that supports hierarchies).

2.7.1.1 Seeded Key Processing Dimensions

OFSAA is seeded with five Key Processing dimensions:

- ⌘ Financial Element
- ⌘ Organizational Unit
- ⌘ General Ledger Account
- ⌘ Common Chart of Accounts
- ⌘ Product

Among the five seeded Key Processing dimensions, the Financial Element dimension is pre-populated with a Chart of Accounts, but it is populated in the range between 0 and 10,000 (For more details on the seeded Chart of Accounts for the Financial Element dimension see Oracle Financial Services Profitability Management (OFSPM) User Guide). This is a reserved range in which you may not add new members, or edit or delete existing members. You may add user defined Financial Elements anywhere outside the reserved range.

2.7.1.2 User Defined Key Processing Dimensions

See *Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide* for details on adding your own user-defined Key Processing dimensions.

2.7.2 Standard Dimensions

Standard dimensions may support attributes and/or hierarchies depending on how they are configured, but are not used as processing dimensions within any of the analytical application engines. Like Key Processing Dimensions, metadata for Standard Dimensions is stored in a base table and in a translation table. A Standard Dimension may or may not have an attribute table or a hierarchy table depending on how it is configured. Within the OFSAA modules, Standard dimensions that are defined as having a hierarchy table supports hierarchies and Standard dimensions. See *Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide* and *Oracle Financial Services Analytical Applications Data Model Data Dictionary* for additional information.

2.7.2.1 Seeded Standard Dimensions

OFSAAI is seeded with the following two Standard Dimensions:

- ? Country
- ? Customer

Both these dimensions support attributes and hierarchies. Default member values are provided for the Country dimension and no default values are provided for the Customer dimension.

2.7.2.2 User Defined Standard Dimensions

See the *Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide* in OHC Documentation Library for details on adding user-defined Standard dimensions.

2.8 Simple Dimensions

Simple dimensions (Code dimensions), are "lists of values" that support neither attributes nor hierarchies. The three key uses of Simple dimensions are:

- ? Reserved for use within the analytical application engines
- ? Stratifying your data for process or report filtering purposes
- ? Serving as "lists of values" when used as attributes

The OFSAA Data Model comes with more than 150 seeded Simple dimensions. Many of these seeded Simple dimensions are also seeded with dimension members. Unlike Key Processing dimensions and Standard dimensions, Simple dimensions are stored in two tables:

- ? A code table
- ? A Multi-Language Support or MLS table

See *Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide* in OHC Documentation Library for details on multi-language support.

2.8.1 Reserved Simple Dimensions

Accrual Basis Code is an example of a seeded Simple dimension that is used extensively by the application modules. It is seeded with a small list of values (such as 30/360, Actual/360, Actual/Actual, and so on.) and its value set may not be modified.

Amortization Type Code is another example of a reserved Simple Dimension. Amortization Type Code is populated with reserved values that the Cash Flow engine interprets, and its value set may not be modified. Many other Simple Dimensions are reserved and may not be modified.

2.8.2 Simple Dimensions Used for Processing or Reporting Purposes

This kind of Simple Dimension cannot be used directly by the application engines, but they are accessible to OFSAA Filter rules (for more information on Filter rules, see *Filters* section in *Oracle Financial Services Analytical Applications Infrastructure User Guide* in OHC Documentation Library).

Credit Rating is an example of a seeded Simple Dimension that may be used for processing or reporting purposes. You may, for example, wish to allocate risk equity to individual instruments as a function of Credit Rating. The seeded values for Credit Rating are Moody's credit ratings, but you are free to completely redefine the membership of this dimension. Geographic Location is another example. Geographic Location is pre-populated with the US States and Canadian provinces, but you are free to completely redefine the list of geographic locations.

2.8.3 Simple Dimensions Used as Attribute Domains

Both seeded and user-defined attributes often utilize a Simple Dimension to provide a list of values. For example, you might create an Adjustable Type attribute on your Product dimension and you might want this attribute to be limited to the values of Fixed, Variable, or Administered. In this case, you might first build a Simple Dimension called Type whose dimension members were limited to three values: Fixed, Variable, or Administered. Next, you could assign the Type dimension to be the domain of your new Adjustable Type attribute.

See Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) Installation and Configuration Guide and Oracle Financial Services Analytical Applications Data Model Data Dictionary for additional information on which Simple Dimensions you may extend or modify and on how to add your own Simple Dimensions to the data model.

2.9 Overview of Attributes

OFSAA Infrastructure includes functionality for Adding, Viewing, Editing, or Deleting dimension attributes. Which of these functions you can access depends on your logon privilege and on the dimension with which you wish to work. For details, on the creation and maintenance of Dimension Attributes, see the Dimension Management chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

2.9.1 Attributes

The seeded OFSAA Key Processing Dimensions have a number of seeded or seeded and required attributes. For example, the Common Chart of Accounts dimension includes an Account Type attribute and an Accrual Basis attribute; the Financial Element dimension includes an Aggregation Method attribute. Some of these attributes have important implications in processing within OFSAA.

You may add Attributes to any Key Processing Dimension or to any Standard Dimension that supports Attributes (see preceding sections describing Key Processing Dimensions and Standard Dimensions).

One of the important properties of an Attribute is its Data Type. OFSAA Infrastructure supports Dimension Attribute Data Types of:

- ⌘ Date, String, or Number
- ⌘ Dimension

2.9.2 Unbounded and Bounded Attribute Data Types

Dimension attribute data types may be either bounded or unbounded. The Date, String, and Number type are unbounded, that is, there is no predetermined set of attribute values. A Date attribute value may be any valid date, a String attribute value may be any string up to 30 characters in length, and a Number attribute value may be any number. Examples of these kinds of attribute data types might include:

- ⌘ Cost Center Open Date (a Date attribute on the Organizational Unit dimension)
- ⌘ Product Memo (a String attribute on the Product dimension)
- ⌘ Cost Center Head count (a Number attribute on the Organizational Unit dimension)

Unlike attributes having the Date, String, or Number data type, attributes whose data type is Dimension have defined sets of values. For example, the Product dimension has a seeded attribute called Accrual Basis the data type of which is Dimension. The Accrual Basis dimension is seeded with eight values. Accrual Basis is a restricted dimension (you may View Accrual Basis dimension members but you may not delete them or add new accrual bases), but whenever you assign an Accrual Basis attribute value to one of your Product dimension member values, you must select from the list of eight available Accrual Bases.

2.10 Overview of OFSAA Rules

OFS Analytical Application models are constructed using combinations of OFSAA rules. For example:

- ⌘ An Allocation rule might utilize a Hierarchy Filter rule, an Expression rule, and a Static Table Driver rule.
- ⌘ A Transfer Pricing rule might utilize a Hierarchy rule, a Data Element Filter rule, and a Prepayment rule.
- ⌘ A Data Element Filter rule might utilize an Expression rule.
- ⌘ A Group Filter rule always incorporates one or more underlying Data Element Filter rules.
- ⌘ Hierarchy Filter rules always utilize an underlying Hierarchy rule.

The advantage of constructing models from discrete rule components is that individual rules may be reused dozens or even hundreds of times. For example, if you wish to build a large series of allocation rules which operate on non-interest expense data in the Western region, you may build filters for (1) non-interest expense and (2) the Western region and then utilize these filters in every allocation rule. As another example, if you wanted to assign the same transfer pricing method and assumptions to all mortgage products, you could build a Hierarchy on the product dimension containing a Mortgage Products roll up point and assign your method and assumptions at the roll up level. You could subsequently utilize the same Hierarchy rule for allocation processing or reporting purposes.

Many rule types are specific to individual analytical applications (For example, Transfer Pricing rules, Asset/Liability Management rules, Allocation rules, and so on.) while OFSAA

Infrastructure rules are shared across all OFSA applications. Rule types that are shared across all applications include:

- ⌘ Hierarchies
- ⌘ Hierarchy Filters
- ⌘ Data Element Filters
- ⌘ Group Filters
- ⌘ Expressions

Dimensions, dimension members, attributes, and currency exchange rates are also shared across all applications.

2.10.1 Dependencies

OFSAA rules often depend on other rules for some or all of their data or usefulness. For example, an Allocation rule may depend on a Data Element Filter rule to select and focus data in a meaningful way. If that Data Element Filter is deleted, then the Allocation rule becomes unusable. OFSAA applications track such dependencies and ensure that users may not delete rules that are consumed by other rules. Additionally, rule summary screens that present lists of rules that you have defined, offer functionality for you to generate reports on rule interdependency.

2.10.2 OFSAA Filters

OFSAA Infrastructure supports three kinds of filtering:

- ⌘ Data Element Filters
- ⌘ Group Filters
- ⌘ Hierarchy Filters

2.10.2.1 Data Element Filters

Data Element Filters are used to select and focus data. For example, you may transfer price some financial instruments at their source and may therefore wish to ensure that you do not overwrite the transfer rates for any instruments that already have a non-zero transfer rate. In such a case, you could construct a Data Element Filter to isolate only those instruments having a non-zero transfer rate. As another example, you may wish to allocate a charge to demand deposit accounts having small balances. In this case, you could construct a Data Element Filter to focus on just those instrument records having balances less than your chosen threshold.

2.10.2.2 Group Filters

Group Filters are used to join together one or more Data Element Filters. For example, if you built one Data Element Filter that focused on balances less than 10,000 and a second Data Element Filter that focused on accounts whose origination date was prior to 2009, a Group Filter built on the two Data Element Filters would focus on accounts with balances less than 10,000 AND whose origination dates were prior to 2009.

2.10.2.3 Hierarchy Filters

Hierarchy Filters allow you to focus on data that rolls up to one or more points within a chosen hierarchy. You may also focus on "leaf" level data or a combination of "leaf" level and roll up levels. For example, if your organization had a Western, Northern, Southern, and Eastern division, you could construct a Hierarchy Filter that focused on data belonging to branch 1, 2, or 7 within the Eastern division plus any data belonging to the Northern division.

2.11 OFSAA Expressions

Expressions represent formulas for combining data from your data model (For example, Column A divided by Column B times Column C). The results of Expressions may be invoked within a number of OFSAA rule types (For example, Data Element Filters, Allocation rules, and so on). For details on building and maintaining Expressions, see the Expression chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

2.12 Folders

One of the fundamental properties of any OFSAA rule is the Folder in which it is stored. Your System Administrator will configure your user ID to have access to one or more folders in which you can store your rules. Your access rights will likely be similar to co-workers who have a similar business role. For details on security management and defining Segment Maintenance in OFSAA, see the Object Security chapter in Oracle Financial Services Analytical Applications Infrastructure User Guide in OHC Documentation Library.

Storing rules in folders gives you the means to segregate your rules for functional or security considerations. For example, you may wish to:

- 7 Set up folders to store Transfer Pricing rules that are separate from folders you have built for Profitability Management rules and that are also separate from folders you have built for Asset/Liability Management rules.
- 7 Establish some folders for rules you are in the process of developing and testing and other folders for fully tested, production ready rules.
- 7 Segregate some rules that are fundamental to the definition of other rules (For example, some Data Element Filters may be used in dozens or hundreds of other rules) in order to ensure that access to those fundamental rules is highly controlled.
- 7 Segregate your hierarchies, which are also frequently fundamental to OFSAA models, into a restricted-access folder.

2.12.1 Visibility of Rules

Every navigation path to view a rule in OFSAA begins with a *Summary* screen. Within the *Summary* screen for each rule type, you can browse through all of the rules that are stored within Folders to which the user has access. From each *Summary* screen, you may be granted the ability to Add, Edit, View, or Delete rules.

When building rules in an OFS Analytical Application, you frequently call upon other OFSAA rules (For example, a Data Element Filter nested within an Allocation rule or a Hierarchy utilized within a Transfer Pricing rule). When nesting a child rule within a parent rule you must specify the child rule by its Name and Folder (where both Name and Folder are presented in drop-down list boxes). In this context, the Folder drop-down box for every user includes every Folder in the Information Domain, regardless of the Folder access rights. This means that a user may invoke a child rule from any Folder even if the user cannot access that child rule directly through its *Summary* screen.

Additionally, whenever a user nests a parent rule within a child rule, the OFSAA user interface provides user the ability to view a read-only version of the underlying child rule.

The Oracle Hedge Management Process

This section describes the steps that you need to follow to define and execute the end to end Hedge Management Process. Oracle Hedge Management is based on the Oracle Financial Services Analytical Applications Infrastructure (OFSAAI). OFSAAI is the central, integrated data source and Administration layer on which Oracle Financial Services Analytical Applications (OFSAA) are built. This description of the Oracle Hedge Management Process assumes that your system administrator has setup the OFSAAI data repository and has populated it with your enterprise wide business data.

This chapter covers the following topics:

- ? [Overview of the Process](#)
- ? [User Roles](#)

3.1 Overview of the Process

Oracle Financial Services Hedge Management and IFRS Valuations feature the ability for users to classify a financial instrument into any one of the prescribed valuation categories and to reclassify as another on an as needed basis in the future. The application supports calculation of Effective Interest Rate (EIR) to amortize the premium/discount and additional fees related to the financial instrument. The solution also supports fair valuation of on and off balance sheet financial instruments using a time tested cash flow engine, common among other Oracle Financial Services Analytical Applications (OFSAA).

3.1.1 Valuations

IFRS 9 requires a fair value measurement to be categorized within the three levels of the fair value hierarchy for disclosure purposes. The categorization within the fair value hierarchy is based on the inputs to valuation techniques used to measure the fair value. In principle, the observability and market activity determine the categorization of an input. IFRS 13 notes that valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments are grouped into following three levels, according to IFRS 13 guidelines:

- ? **Level 1:** Unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

For example:

- ? Financial instruments (shares, exchange traded options, future contracts, and so on) traded on active markets.
- ? Commodities (corn, soybeans, crude oil, gold, silver, and so on) traded on active markets.

- ⌚ **Level 2:** Other observable inputs not included within Level 1 of the fair value hierarchy.
For example:
 - ⌚ Recently observed prices in markets that are not active (quoted prices in inactive markets).
 - ⌚ Quoted prices for similar assets or liabilities in active markets (inputs derived from yield curves when observable at commonly quoted intervals).
 - ⌚ The unadjusted price per square meter for a building derived from observable market data (prices derived from observed transactions involving comparable buildings in similar locations).
- ⌚ **Level 3:** Unobservable inputs for the asset or liability.
For example:
 - ⌚ Credit spread calculated using unobservable internal data.
 - ⌚ Management's cash flow projections (future revenue level and other financial forecasts).
 - ⌚ Adjustments to the price per square meter for similar buildings derived from observable market data (adjustments reflecting differences in physical conditions and location of the properties).

For more information on HM Valuations, see [HM Valuations Processing](#) Chapter.

3.1.2 Hedge Effectiveness

Hedge Effectiveness testing consists of four criteria. Effectiveness testing is triggered by selecting the appropriate fair value definition run and the required date.

For a hedge to be effective, each of the three or four parameters based on the user selection have to be effective. If any one of the parameter is ineffective, then the entire hedge is ineffective.

3.2 User Roles

This section describes the user roles present in the Risk Management Cell of a financial institution with their responsibilities and rights with respect to multiple tasks/ UIs to ensure security.

3.2.1 HM Administrator

HM Administrator has following rights:

- ⌚ Delegates the responsibility of configuration of the HM application, definition and maintenance of the standard business rules.
- ⌚ Setting up the HM application in a functional manner.
- ⌚ Works as a business user with the System Administrator in carrying out certain tasks.
- ⌚ HM Administrator sets the standard definitions for various preferences. These definitions are used in the HM Process.

3.2.2 HM Analyst

HM Analyst has following rights and responsibilities:

- ⌚ Maintains some or all of the assumptions within the HM application.

- ⌚ Uses the application to make the changes in assumptions on an ongoing business.
- ⌚ Maintains the HM application on a routine basis, this includes defining/ modifying new/ existing assumptions for classification/ reclassification, and so on.

3.2.3 System Administrator

System Administrator has following rights and responsibilities:

- ⌚ Takes care of Technology department and data management.
- ⌚ Delegates the responsibility of security issues, creating user roles, and assigning rights to them.
- ⌚ Performs other data administration tasks, which are typically carried at the time of setting up the HM application.

3.2.4 Data Management Analyst

A Data Management Analyst has following rights and responsibilities:

- ⌚ Manages the data load processes, reconciling instrument data to the GL Balances, validating data quality and executing the cash flow edit routines from time-to-time.
- ⌚ Validates the data and handing over to the HM team for model maintenance and HM processing.

3.2.5 HM Reporting Analyst

A HM Reporting Analyst has following rights and responsibilities:

- ⌚ Responsible for building, maintaining, and running all of the HM reports as required by the business user group.
- ⌚ Generates the reports either periodically and/ or at a specified frequency or as and when required (the reports can be either for VIEW ONLY or can be interactive in nature and are in the form of dashboards).

Hedge Maintenance

This section focuses on the Hedge Maintenance functionalities available in the application.

This chapter covers the following topics:

- [Global Preferences](#)
- [Application Preferences](#)

4.1 Global Preferences

The Global Preferences section enables you to view and update the preferences for all the users of the application.

4.1.1 Access Global Preferences

You can access the *Global Preferences* section by clicking the **Global Preferences** link present under **Hedge Maintenance** module in of the application LHS menu.

4.1.2 Setting Global Preferences

Once you access the Global Preferences section, perform the following procedure to update/add preferences for various users.

1. Select the User from the list of users in the drop-down list in the **Show Preferences for** field, under *Display* grid.
The preferences for the selected user are listed under *Display* and *Ledger* grids.
2. Click the drop-down list adjacent to the **Default Application Language** field and select the required language.
3. Click the drop-down list adjacent to the **Date Format** field and select the required date format.
4. Enter the number of records to be displayed in the page by entering a numeric value in the text field adjacent to the **Pagination Records** field.
5. Enter the default currency by entering the value in the text field adjacent to the **Functional Currency** field.

The default value is **US Dollar**.

6. Enter the default currency by entering the value in the text field adjacent to the **Signage** field.
The default value is **Natural Signage**.
7. Click **Apply** button to confirm the changes.

- Click **Reset to Default** button if you want to clear all previously entered values and reset to default values.

4.2 Application Preferences

The Application Preferences section enables you to update the properties of Parameters, Processing, Assumption Management Defaults, Dimensions and Hierarchies, and ADCO Parameters.

4.2.1 Access Application Preferences

You can access the *Application Preferences* section by clicking the **Application Preferences** link present under **Hedge Maintenance** module in of the application LHS menu.

4.2.2 Setting Application Preferences

Once you access the Application Preferences section, perform the following procedure to update/add preferences for various users.

- Select the User from the list of users in the drop-down list in the **Show Preferences For** field, under *Select Preferences For* grid.

The preferences for the selected user are listed under *Parameters - General, Processing - General, Processing - Application Specific, Assumption Management Defaults, Dimensions and Hierarchies*, and *ADCO Parameters* grids.

- Select the checkbox adjacent to **Active for Master Maintenance** field to mark the selected user for active for master maintenance.

If you have more than one application available in **Common Object Maintenance** section in LHS, you need to designate Application Preferences from one of their applications as “Active for Master Maintenance”. Certain preferences such as the default folder and read / write access setting are referenced by items within Master Maintenance based on this selection.

- Update the required properties from the following list under *Parameters - General* grid:

Table 4–1 Parameters - General

Field	Description
Security Map	Select the value for Security Map from the drop-down list. This option allows you to select an existing mapper definition. Based on Mapper selection, list of Legal Entity will vary. For more information on Security Mapping, see Oracle Financial Services Analytical Applications Infrastructure (OFSAAI) User Guide.
As of Date	Click the Calendar icon and pick the as of date. All Hedge Management processes reference this date at run time to determine the data to include in the process. Each period, when a new set of data has been loaded, this parameter should be updated to reflect the new date. Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.

Table 4–1 Parameters - General

Field	Description
Show Execution Parameters	<p>Select the checkbox adjacent to the Show Execution Parameters field, if you want to display the execution parameters.</p> <p>If this option is selected, then a pop window appears during the execution of process to select the Legal Entity.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p> <p>Note: This is applicable only for Level 3 Fair Value definitions.</p>
Legal Entity	<p>Click the Browse button and select the required legal entity from the <i>Hierarchy Browser</i>.</p> <p>This parameter allows you to define the Legal Entity. If Show Execution Parameters option is not selected and Legal Entity is defined, then this Legal Entity will be auto populated.</p> <p>If Show Execution Parameters option is selected, then you can edit the Legal Entity during the execution of process. Using the Erase button next to Legal Entity, you can erase the existing dimension leaf member.</p> <p>Note: The list of Legal Entities in Hierarchy Browser will depend on selected Security Mapper.</p> <p>You can also select the checkbox adjacent to the Disable Legal Entity field to disable the Legal Entity.</p>

4. Update the required properties from the following list under *Processing - General* grid:

Table 4–2 Processing - General

Field	Description
Default Total Error Message Limit	<p>Enter the maximum number of error messages that will be logged for all the processes.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Default Error Message Limit Per Item	<p>Enter the maximum number of error messages that will be logged for a given type of error.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Debugging Output Level	<p>Select the value for debugging output level from the drop-down list. The available options are the following:</p> <ul style="list-style-type: none"> • Do not output SQL to log file - A log file will not be created. • Show all SQL - Log file is created and will contain all the SQL that the engines execute. • Show significant calculation SQL - Log file is created and will contain those SQLs that are tagged as significant. <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>

5. Update the required properties from the following list under *Processing - Application Specific* grid:

Table 4–3 Processing - Application Specific

Field	Description
Net Change Date	<p>Click the Calendar icon adjacent to this field and select the value for net change date.</p> <p>This is the Date on which the HM effectiveness process will look back to when effectiveness type is set to Net. This is applicable for retrospective effectiveness testing.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Maximum Number of Instrument records to include in detail cash flow output	<p>This parameter allows you to define the maximum number of instrument records that any user can select within a process for outputting detailed cash flows.</p> <p>If you want to remove the limit, you can leave the field blank and upon selecting APPLY, you will notice “No Limit” text will appear. It is recommended however, that this value be set to 100 or less.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Maximum Number of Rate Paths for Monte Carlo Processing	<p>This parameter allows you to limit the number of rate paths that can be selected by a user when running a monte carlo based process. The maximum value is 2000.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Enable Holiday Calendar Adjustments	<p>Select the checkbox adjacent to this field to enable the Holiday Calendar Adjustment capability for the HM Application.</p> <p>If this option is not selected, the Cash Flow Engine ignores all Holiday Calendar information, including Instrument level inputs and assumption Rule level inputs.</p> <p>Note: This is applicable only for Level 3 Fair Value definitions.</p>

6. Update the required properties from the following list under *Assumption Management Defaults* grid:

Table 4–4 Assumption Management Defaults

Field	Description
Folder Name	<p>This parameter allows you to set the default folder location. This selection is made for convenience and can be changed within all Business Rules at the users' discretion.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Access Type	<p>This parameter allows you to set the default access type setting. Selections include Read / Write and Read Only. This selection acts as the starting value for convenience only and users can change at their discretion.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Initial Currency Selection ["Business Rule Currency"]	<p>This parameter allows you to select the starting currency to be displayed within all business rules. This selection is made for convenience and can be changed within all Business Rules at the users' discretion.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>

7. Update the required properties from the following list under *Dimensions and Hierarchies* grid:

Table 4–5 Dimensions and Hierarchies

Field	Description
Product Dimension	<p>OFS HM requires users to declare one of the “Product” dimensions as the HM Product dimension. The model is seeded with the following three possible selections:</p> <ul style="list-style-type: none"> • Product • Common Chart of Accounts • General Ledger Account <p>Users can also add user defined product dimensions, which also appear in the above list. HM business rules are based on the Product dimension selected here. The suggested default is the “Product” dimension.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Default Product Hierarchy	<p>The list of values for Default Product Hierarchy is based on the Default Product Dimension selection. The hierarchy selected here will be the default hierarchy selection in all Business Rules that support node level assumptions. This selection acts as the starting value for convenience only and users can change at their discretion within each Business Rule.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Organizational Unit Dimension	<p>Click and select the required Organizational Unit Dimension from the drop-down list.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>
Hierarchy Members Navigation Size	<p>This setting will control the number of hierarchy members that are included per page within the <i>Assumption Browser</i> and <i>Hierarchy Browser</i>.</p>

8. Update the required properties from the following list under *ADCO Parameters* grid:

Table 4–6 ADCO Parameters

Field	Description
National Housing Pricing Index	<p>This is an input parameter for ADCO definition purpose, that you have to select from the drop-down containing the list of all economic indicators defined from Rate Management.</p> <p>You need to set up the NHPI economic index if you need to override the base ADCO NHPI forecast. This is an optional step, in the setting up of an ADCO process.</p> <p>Select the checkbox adjacent to the Is Editable field, if you want to make this field editable after saving.</p>

9. Click **Apply** button to confirm the changes.
10. Click **Reset to Default** button if you want to clear all previously entered values and reset to the default values.

HM Valuations Processing

When all the required assumptions are defined, HM Processing performs calculation processes and generates a result set. The Process Flow guides you through the required inputs on the screen.

This chapter covers the following topics:

- ? [Overview of HM Processes](#)
- ? [Valuations Processing](#)

5.1 Overview of HM Processes

HM Processes allow you to perform the following tasks:

- ? Determine the data that you want to process (Product Hierarchy block).
- ? Submit to the HM processing engine the financial element results you want to calculate (Calculation Elements).
- ? Specify to the HM processing engine the product characteristics, prepayments, discount methods and forecast rate assumptions to be used in the process (Rule Selection blocks).
- ? Define the output dimension and what additional attributes you want updated at the instrument level (Output Preferences block).
- ? Enable the output of detailed cash flows or forecast interest rates for audit purposes (Audit Options block).
- ? Define the processing parameters for a reprocess on an existing run or an entire new process (Processing Parameters block).
- ? Formulate and execute the HM processing request and generate results (HM Process Summary Page).

5.2 Valuations Processing

5.2.1 Fair Value Determination for Level 1 Financial Instruments

The Level 1 financial instruments are traded in active markets. The traded values of each of these instruments are provided by financial data vendors such as Bloomberg, Thomson Reuters, and so on. The OFS HM application provides data model capability to store the market value provided by the financial data vendors, by looking into the market data to ascertain the market value for each instrument.

5.2.2 Fair Value Determination for Level 2 Financial Instruments

Level 2 Financial Instruments are processed for those instruments, which have undergone Fair Value determination process in level 1 but Fair Values were unavailable through level 1 process. For example, thinly traded equity, bonds that are not listed, and so on. The methodology to arrive at the Fair Value of a financial instrument is through the following steps:

1. Check the historical data lookup date threshold value, which is entered by the user through the UI.

If the Instrument was traded within the threshold period, then such immediate previously available traded price is considered as the Fair Value. If the Instrument is not traded within the mentioned threshold period, the next step is applicable.

2. If there are any quotes available for the Instrument as on the valuation date, then the Instrument's ask price is considered as the Fair Value.
3. If the preceding two processes fail to get a Fair Value, then the proxy method is used to ascertain the Fair Value.

Note: The Proxy method is used for the Instrument Type Bonds in this release.

Using Proxy method, the application provides similar Instruments with the attributes based on the attributes that you select in the *Details* window of the **Fair Value Process Definitions**. If the face value of the Proxy Instrument is different, its price will be adjusted according to the face value of the Instrument whose Fair Value is being ascertained.

After the Fair Value is arrived through the Proxy methodology, if the user inputs a value in the haircut, the resulting Fair Value after adjusting for the haircut will be classified as Level 3 Fair Value, since the use of haircut amounts to unobservable inputs. Note that the haircut feature is optional and is available for all Instrument types.

5.2.3 Fair Value Determination for Level 3 Financial Instruments

Level 3 financial instruments have undergone the process of Fair Value determination at level 1 and level 2 processes, but have not returned any results. For example, Forward Contracts, Credit Default Swaps, and so on. The OFS HM application uses Discounted Cash Flow (DCF) methodology to arrive at Fair Value for Level 3 financial instruments.

For some instruments such as Loans, Credit Cards and so on, Level 1 and 2 are not applicable and will have to be processed through level 3 alone.

5.2.4 Fair Value Determination Process

In order to ascertain Hedge Effectiveness, the Fair Value of all Instruments, that is Hedged items and Hedging Instruments, are required. The Fair Values can be determined using the **Fair Value Determination Process Definitions** module of the OFS HM application.

5.2.4.1 Access Fair Value Determination Process Definitions

You can access the **Fair Value Determination Process Definitions** module by clicking the **Fair Value Determination Process Definitions** link in the LHS menu of the OFS HM

application. Upon clicking this link, the *Fair Value Determination Process Definitions Summary* screen is displayed with the *Search* grid and the *Fair Value Process Definitions* grid.

Fair Value Determination Process Definitions Summary								As of Date: 06/25/2014
Search								
Name	<input type="text"/>	Folder	Folder For Enterprise Modeling					
Instrument Type	<input type="text"/>	Created By	<input type="text"/>					
Fair Value Process Definitions								
Definition Name	No. of Instrument Types	Folder	Creation Date	Created By	Last Modification Date	Last Modified By	Access Type	
<input type="checkbox"/> Definition5	3	Folder For Enterprise Modeling	11/17/2016 19:04:19	HMUSER4	11/17/2016 19:04:19	HMUSER4	Read/Write	
<input type="checkbox"/> DefinitionTest	3	Folder For Enterprise Modeling	11/17/2016 19:02:52	HMUSER4	11/17/2016 19:02:52	HMUSER4	Read/Write	

The *Fair Value Determination Process Definitions Summary* screen displays all the existing Fair Value definitions under *Fair Value Process Definitions* grid. The definitions are displayed with details such as Definition Name, No. of Instrument Types, Folder, Creation Date, Created By, Last Modification Date, Last Modified By, and Access Type.

5.2.4.2 Definition Search

The *Search* grid enables you to search for existing Fair Value definitions. To search for an existing Fair Value definition from the *Search* grid, perform the following procedure:

1. Enter the value for one or many of the following search parameters, in the respective fields:

Table 5–1

Field Name	Description
Definition Name	Enter the full or partial name of the definition, you want to search for.
Folder	Select the Folder from the drop-down list. The Folders are Segments defined under the current Information Domain.

Table 5–1

Field Name	Description
Instrument Type	Select the required value for Instrument Type, from the drop-down list. The list includes the following values: <ul style="list-style-type: none"> ? Annuity Contracts ? Asset Backed Securities ? Bonds ? Bonds Futures ? Bonds Options ? Borrowings ? Break Funding ? Checking and Savings ? Commercial Loans ? Commodity ? Commodity Futures ? Commodity Options ? Consumer Loans ? Credit Cards ? Credit Lines ? Currency ? Currency Futures ? Currency Options ? Deposits ? Equity ? Equity Futures ? Equity Options ? Guarantees ? Investments ? Leases ? Ledger Instruments ? Loan Contracts ? Merchant Cards ? Money Market Contracts ? Mortgages ? Mutual Funds ? Other Services ? Retirement Accounts ? Term Deposits ? Trusts ? Wholesale Funding
Created By	Select the name of the user, who has defined the Fair Value definition, from the drop-down list.

2. Click **Search** button.

The search operation is performed with the entered parameters and the results are displayed in the *Fair Value Process Definitions* grid.

You can make use of the pagination options to decide the number of definitions per page or to navigate between pages.

5.2.4.3 Creating a Fair Value Definition

To create a Fair Value definition, perform the following procedure:

Note: The fields marked in red asterisks are mandatory.

1. Click the **Add** button from the *Fair Value Process Definitions* grid.

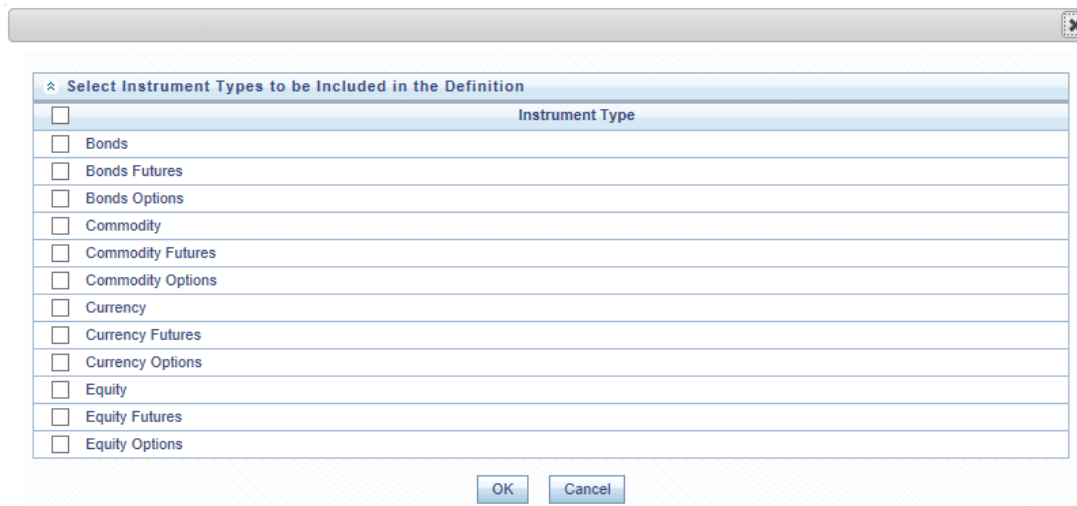
The *Fair Value Determination Process Definition* window is displayed with *Fair Value Process Definition Details* and *Instrument Type to Fair Value Process Definition Mapping* grids.

2. Enter a name for the Fair Value definition in the text area adjacent to the **Name** field.
3. Enter a description for the Fair Value definition in the text area adjacent to the **Description** field.
4. Select the folder from the drop-down list adjacent to the **Folder** field. The Folders are defined under the current Information Domain.
5. Select the required radio button adjacent to the **Access Type** field to make the definition **Read Only** or **Read/Write**.

This selection determines, whether the definition should be made available for editing.

6. Click **Add** button in the *Instrument Type to Fair Value Process Definition Mapping* grid.

The *Select Instrument Types to be Included in the Definition* window is displayed.



7. Select the required Instrument Types by selecting the checkboxes adjacent to the Instrument Type names and by clicking the **OK** button from the *Select Instrument Types to be Included in the Definition* window.

The selected Instrument Types are displayed under the *Instrument Type to Fair Value Process Definition Mapping* grid. This grid displays those processes which are already checked. These processes can be modified according to the requirement.

However, in cases of instruments such as Loans and Advances, only a particular process is allowed to be selected as these may not be traded in the market.

You can remove the Instrument types by selecting the checkbox adjacent to the Instrument type and by clicking the **Delete** button. To remove all the Instrument types present in the *Instrument Type to Fair Value Process Definition Mapping* grid, select the checkbox present in the column header in *Instrument Type to Fair Value Process Definition Mapping* grid.

8. Select the value for Market Data Provider, from the drop-down list, for each Instrument Type.

Note: The list of market data providers are expected as download. You can enter the values to be listed in the **Market Data Provider** drop-down through the AMHM module of OFSAAI. This data is received by the Financial Data Provider dimension and the same is later used to populate Stage Market Center Quotes table.

For more information on AMHM, see Oracle Financial Services Analytical Application Infrastructure User Guide in Oracle Help Centre Documentation Library.

9. Define the Fair Value Determination Order by selecting the checkboxes present in the following columns:

- ⌘ Ascertain Market Value (Level 1)
- ⌘ Ascertain Near Market Value (Level 2)
- ⌘ Process Cash flows (Level 3)

You can also specify the **Near Market Value Determination Parameters** for **Ascertain Near Market Value** (Level 2), by performing the following procedure:

1. Click the **Details** link adjacent to the **Ascertain Near Market Value** field.

The **Ascertain Near Market Value** feature stores information of instruments which are used in arriving at a Fair Value, as part of the Level 2 logic.

Example: If the Level 2 process was executed and resulted in 100 instruments that matched parameters as defined under the Level 2. These then get reduced into a Fair Value for the instrument being looked up. Checking the Audit near market data on the application UI retains such 100 records for future reference. You have the option to not check this feature on the application. In such cases, the application does not retain the near market instruments which were used in arriving at the Fair Value.

The *Specify Near Market Value Determination Parameters* window is displayed.

The **Instrument Type** field displays the name of the instrument type.

2. Specify the number of days up to which historical market value can be looked up, in the **Days** field in Step 1.
3. Select the checkboxes adjacent to the available near market value parameters. This is to specify the parameters for similar Instruments whose current market value may be used as proxy for the Instrument that does not meet criteria in Step 1.
4. (Optional) Enter the value for a Haircut percentage in the text field adjacent to Haircut Value to be applied for this Instrument Type field, after selecting the checkbox.

Note: If a haircut value is entered, the output is categorized as Level 3 and not Level 2, per IFRS9 guidelines.

5. Click **OK** button.

10. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Definitions by Instrument Types* grid in the *Fair Value Definitions Summary* window.

The *Audit Trail* section at the bottom of the *Fair Value Determination Process Definition* window displays the metadata related to the definition such as Created By, Creation Date, Last Modified By, and Last Modification Date with a System ID. The *User Comments* section facilitates you to add or update additional information as comments.

5.2.4.4 Viewing a Fair Value Definition

The **View** feature enables you to view the details of an existing Fair Value definition. To view the definition details, perform the following procedure:

1. Select the checkbox adjacent to the Fair Value definition name, which you want to view, in the *Fair Value Definitions by Instrument Types* grid.
2. Click **View** button.

The *Fair Value Determination Process Definition* window is displayed in view mode with the definition details.

In **View** mode you cannot add or edit any of the fields.

5.2.4.5 Editing a Fair Value Definition

The edit feature enables you to update the details if an existing Fair Value definition. To edit an existing Fair value definition, perform the following procedure:

1. Select the checkbox adjacent to the Fair Value definition name, which you want to edit, in the *Fair Value Definitions by Instrument Types* grid.

2. Click **Edit** button.

The *Fair Value Determination Process Definition* window is displayed in edit mode with the definition details.

3. Update the required fields of the definition. For more information, see [Creating a Fair Value Definition](#) section.
4. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Definitions by Instrument Types* grid in the *Fair Value Definitions Summary* window.

5.2.4.6 Copying a Fair Value Definition

You can copy the details of an existing Fair Value definition and create a new definition by changing the Name and Description, from the *Fair Value Definitions Summary* window.

To copy the details of an existing Fair Value definition, perform the following procedure:

1. Select the checkbox adjacent to the Fair Value definition you want to copy.
2. Click **Copy** button from the *Fair Value Definitions by Instrument Types* grid.
The *Save As* window is displayed.
3. Enter a name for the Fair Value definition in the text area adjacent to the **Name** field.
4. Enter s description for the Fair Value definition in the text area adjacent to the **Description** field.
5. Select the folder from the drop-down list adjacent to the **Folder** field.
The Folders are Segments defined under the current Information Domain.
6. Select the required radio button adjacent to the **Access Type** field to make the definition **Read Only** or **Read/Write**.
7. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Definitions by Instrument Types* grid in the *Fair Value Definitions Summary* window.

All the definition details except the Name, Description, Folder, and Access Type remain the same as that of the parent definition. You can edit the definition to update any details of the definition. For more details, see [Editing a Fair Value Definition](#) section.

5.2.4.7 Checking Dependencies of a Fair Value Definition

You can check the dependency information of individual Fair Value definition from the *Fair Value Definitions Summary* window.

To check the dependency information of an existing Fair Value definition, perform the following procedure:

1. Select the checkbox adjacent to the Fair Value definition of which you want to check the dependency information.
2. Click **Check Dependency** button from the *Fair Value Definitions by Instrument Types* grid.

The dependency information of the selected definition are displayed in the *Dependency Information* window with the details such as Child Object Name, Child Object Type, Folder, Parent Object Name, Parent Object Type, and Folder.

5.2.4.8 Deleting a Fair Value Definition

You can delete an existing Fair Value definition from the *Fair Value Definitions Summary* window.

To delete one or more existing Fair Value definitions, perform the following procedure:

1. Select the checkbox(s) adjacent to the Fair Value definitions you want to delete.
2. Click **Delete** button from the *Fair Value Definitions by Instrument Types* grid.

A warning dialog is displayed.

3. Click **Yes** button.

The selected definitions are removed from the *Fair Value Definitions Summary* window.

5.2.5 Fair Value Determination Process - Run Definition

The Fair Value Run definitions enable you to create and execute Run definitions. Run definition enables you to choose which Fair Value definition you want to execute and on what parameters. That is, Run Definition associates a Fair Value definition with user specified Run parameters available in the UI and execute the definition.

5.2.5.1 Access Fair Value Determination Process Definitions

You can access the Fair Value Determination Run Definition module by clicking the **Fair Value Determination Run Definition** link under **Run Management** section in the LHS menu of the OFS HM application. Upon clicking this link, the *Fair Value Determination Run Definition* window is displayed with the *Search* grid and the *Fair Value Determination Run Definition* grid.

Fair Value Determination Run Definition										As of Date: 20-10-2016
Search										
Name	<input type="text"/>	Folder	IFRSSEG01							
Legal Entity	<input type="text"/>	Instrument Type	<input type="text"/>							
Fair Value Determination Run Definition										
Run Name	FV Definition Name	No. of Instruments Types	Folder	Creation Date	Created By	Last Executed	Last Modification Date	Last Modified By	Access Type	
<input type="checkbox"/>	SMBTempFairValDetermRunDef	FVD TEST 1	2	IFRSSEG01	03-02-2017 12:00:29	ALMHMUSER	03-02-2017 12:00:29	ALMHMUSER	Read/Write	
<input type="checkbox"/>	FVD_run_def_01	FVD_test_01	2	IFRSSEG01	25-01-2017 16:51:31	ALMHMUSER	01-02-2017 17:45:40	ALMHMUSER	Read/Write	
<input type="checkbox"/>	Level3	FVD_lvl_3	1	IFRSSEG01	01-02-2017 13:12:15	ALMHMUSER	01-02-2017 13:12:42	ALMHMUSER	Read/Write	
<input type="checkbox"/>	FVD TEST 1 EXEC	FVD TEST 1	2	IFRSSEG01	31-01-2017 12:37:43	ALMHMUSER	31-01-2017 12:38:01	ALMHMUSER	Read/Write	
<input type="checkbox"/>	AlltestFVR	FVD_test_01	1	IFRSSEG01	26-01-2017 15:16:28	ALMHMUSER	30-01-2017 18:49:58	ALMHMUSER	Read/Write	
<input type="checkbox"/>	fvd_run_lvl_3	FVD_lvl_3	1	IFRSSEG01	25-01-2017 20:47:26	ALMHMUSER	01-02-2017 17:22:19	ALMHMUSER	Read/Write	
<input type="checkbox"/>	FVD_run_def_2	FVD_test_01	2	IFRSSEG01	25-01-2017 20:16:41	ALMHMUSER	25-01-2017 20:30:30	ALMHMUSER	Read/Write	

The *Fair Value Determination Run Definition* window displays all the existing Fair Value Run definitions under *Fair Value Determination Run Definition* grid. The definitions are displayed with details such as Run Name, FV Definition Name, No. of Instruments Types, Created On, Created By, Last Modification Date, and Last Modified By.

5.2.5.2 Definition Search

The *Search* grid enables you to perform search for existing Fair Value Run definitions. To search for an existing definition from the *Search* grid, perform the following procedure:

1. Enter the value for one or more of the following search parameters, in the respective fields:

Table 5–2

Field	Description
Name	Enter the full or partial name of the definition, you want to search for.

Table 5–2

Field	Description
Folder	Select the Folder from the drop-down list. The Folders are Segments defined under the current Information Domain.
Legal Entity	<p>Select the required value for Legal Entity from the drop-down list. The Legal Entities displayed in this drop-down list are picked from a Dimension table. You can update the list of these Legal Entities through AMHM screen of OFSAAI.</p> <p>For more information on AMHM, see Oracle Financial Services Analytical Application Infrastructure User Guide in Oracle Help Centre Documentation Library.</p>

Table 5–2

Field	Description
Instrument Type	<p>Select the required value for Instrument Type, from the drop-down list. The list includes the following values:</p> <ul style="list-style-type: none"> ? Annuity Contracts ? Asset Backed Securities ? Bonds ? Bonds Futures ? Bonds Options ? Borrowings ? Break Funding ? Checking and Savings ? Commercial Loans ? Commodity ? Commodity Futures ? Commodity Options ? Consumer Loans ? Credit Cards ? Credit Lines ? Currency ? Currency Futures ? Currency Options ? Deposits ? Equity ? Equity Futures ? Equity Options ? Guarantees ? Investments ? Leases ? Ledger Instruments ? Loan Contracts ? Merchant Cards ? Money Market Contracts ? Mortgages ? Mutual Funds ? Other Services ? Retirement Accounts ? Term Deposits ? Trusts ? Wholesale Funding <p>Definitions with specified Instrument Type selected are displayed in this list.</p>

2. Click **Search** button.

The search operation is performed with the entered parameter values and the results are displayed in the *Fair Value Determination Run Definition* grid.

You can make use of the pagination options to decide the number of definitions per page or to navigate between pages.

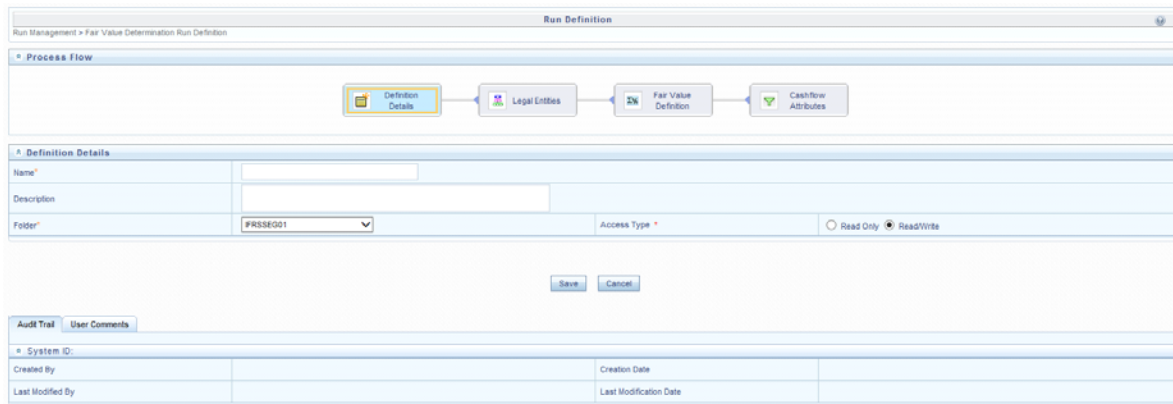
5.2.5.3 Creating a Fair Value Run Definition

To create a Fair Value Run definition, perform the following procedure:

Note: The fields marked in red asterisks are mandatory.

1. Click **Add** button from the *Fair Value Determination Run Definition* grid.

The *Run Definition* window is displayed with *Process Flow* and *Definition Details* grids.



The *Process Flow* grid displays the available processes such as Definition Details, Legal Entities, Fair Value Definition, and Cash Flow Attributes. By default, the Definition Details process is selected.

2. Enter the name of the Fair Value Run Definition in the text area adjacent to the **Name** field.
3. Enter a description for the Fair Value Run Definition in the text area adjacent to the **Description** field.
4. Select the folder from the drop-down list adjacent to the **Folder** field. The Folders are Segments defined under the current Information Domain.
5. Select the required radio button adjacent to the **Access Type** field to make the definition **Read Only** or **Read/Write**.
 - ⌚ Read Only lets the user to view the content but not make any changes to the details that has been defined. In effect, editing the content on the screen is not possible.
 - ⌚ Read/Write lets any user modify the settings on the screen and save the updated definition.
 - ⌚ These privileges are subject to user role rights.
6. Click **Legal Entities** process from *Process Flow* grid.

The *Legal Entities* grid is displayed.

1. Select the folder from the drop-down list adjacent to the **Hierarchy Folder** field. The Folders are Segments defined under the current Information Domain for Legal Entities.

2. Select the Legal Entity hierarchy for the Run, from the drop-down list adjacent to the **Hierarchy** field.
3. Click **Browse** button to select the Legal Entities for the Run from *Hierarchy Browser* window. The selected Legal Entities are displayed in **Legal Entities for the Run** field.
Click **Clear** button to clear the **Legal Entities for the Run** field.
7. Click **Fair Value Definition** process from *Process Flow* grid.
The *Fair Value Definition* grid is displayed.
 1. Select the folder from the drop-down list adjacent to the **Folder** field. The Folders are Segments defined under the current Information Domain for Legal Entities.
 2. Select a Fair Value definition from the available list of definitions from the drop-down list adjacent to **Fair Value Determination Process** field.
To know more about Fair Values definitions, see [Fair Value Determination Process](#) section.
8. Select the checkboxes adjacent to the instrument types you want to include in the Run definition by selecting the checkbox adjacent to the Instrument Types in the *Instrument Types* grid.
The list of instrument types are fetched from the Fair Value definition you have selected in the **Fair Value Determination Process** field.
9. Select the checkbox adjacent to the **Audit Near Market Value Instrument Types** field, if you want to retain the set of Near Market value Instrument Types for later reference.
If this checkbox is not checked, the application will not retain record of which instruments were used in ascertaining a proxy value.
10. Click **Cashflow Attributes** process from *Process Flow* grid.

Note: The **Cashflow Attributes** process in the *Process Flow* grid is enabled only if you have installed OFS ALM.

The *Cashflow Attributes* grid is displayed.

Note: You need to select at least one Instrument Type having a Cashflow process associated with it from the *Instrument Types* grid to access the **Cashflow Attributes** process.

The Cashflow Attributes grid displays the following attributes.

- ? Product Characteristics
- ? Discount Methods
- ? Prepayments
- ? Forecast Rates and Scenarios

11. Select Folder and Definition for each of these attributes, from the respective drop-down lists.
12. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Determination Run Definition* grid in the *Fair Value Determination Run Definition* window.

The *Audit Trail* section at the bottom of the *Run Definition* window displays the metadata related to the definition such as Created By, Creation Date, Last Modified By, and Last

Modification Date with a System ID. The *User Comments* section facilitates you to add or update additional information as comments.

5.2.5.4 Viewing a Fair Value Determination Run Definition

The View feature enables you to view the details of an existing Fair Value Determination Run definition. To view the definition details, perform the following procedure:

1. Select the checkbox adjacent to the Run definition name, which you want to view, in the *Fair Value Determination Run Definition* grid.
2. Click **View** button.

The *Run Definition* window is displayed in view mode with the definition details.

In View mode you cannot add or edit any of the fields.

5.2.5.5 Editing a Fair Value Determination Run Definition

The edit feature enables you to update the details if an existing Run definition. To edit an existing Run definition, perform the following procedure:

1. Select the checkbox adjacent to the Run definition name, which you want to edit, in the *Fair Value Determination Run Definition* grid.
2. Click **Edit** button.

The *Run Definition* window is displayed in edit mode with the definition details.

3. Update the required fields of the definition. For more information, see [Creating a Fair Value Run Definition](#) section.
4. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Determination Run Definition* grid in the *Fair Value Determination Run Definition* window.

5.2.5.6 Copying a Fair Value Determination Run Definition

You can copy the details of an existing Fair Value Determination Run definition and create a new definition by changing the Name and Description, from the *Fair Value Determination Run Definition* window.

To copy the details of an existing Fair Value Determination Run definition, perform the following procedure:

1. Select the checkbox adjacent to the Fair Value Determination Run definition you want to copy.
2. Click **Copy** button.

The *Save As* window is displayed.

3. Enter a name for the Fair Value Determination Run definition in the text area adjacent to the **Name** field.
4. Enter s description for the Fair Value Determination Run definition in the text area adjacent to the **Description** field.
5. Select the folder from the drop-down list adjacent to the **Folder** field.

The Folders are Segments defined under the current Information Domain.

6. Select the required radio button adjacent to the **Access Type** field to make the definition **Read Only** or **Read/Write**.
7. Click **Save** button to save the definition details.

The saved definition is displayed under *Fair Value Determination Run Definition* grid in the *Fair Value Determination Run Definition* window.

All the definition details except the Name, Description, Folder, and Access Type remain the same as that of the parent definition. You can edit the definition to update any details of the definition. For more details, see to [Editing a Fair Value Determination Run Definition](#) section.

5.2.5.7 Checking Dependencies of a Fair Value Determination Run Definition

You can check the dependency information of individual Run definition from the *Fair Value Determination Run Definition* window.

To check the dependency information of an existing Run definition, perform the following procedure:

1. Select the checkbox adjacent to the Run definition of which you want to check the dependency information.
2. Click **Check Dependency** button from the *Fair Value Determination Run Definition* grid.

The dependency information of the selected definition are displayed in the *Dependency Information* window with the details such as Child Object Name, Child Object Type, Folder, Parent Object Name, Parent Object Type, and Folder.

5.2.5.8 Execute a Fair Value Determination Run Definition

The Execute feature enables you to implement the Run definition you have created. To execute a Run definition, perform the following procedure:

1. Select the checkbox adjacent to the Run definition you want to execute.
2. Click **Run** button from the *Fair Value Determination Run Definition* grid.

The *Date Selection* window is displayed.

3. Select a date for which you want to execute the Run definition.
4. Click **OK** button.

The batch is created and the Run definition is marked for execution. A dialog window confirming the same is displayed. Once executed from the UI, a batch is generated to Run Processes that have been defined for each Instrument Type. Upon completion of the execution, Fair Values are generated for specified instrument Types and Processes.

Note: Application generates Fair Value for instruments for which appropriate processes (also referred to as Levels) and criteria have been specified in the Fair Valuation Process Definition UI. For more information, see Fair Value Calculation, Fair Value Definition details page, and Cash Flow attributes sections.

5.2.5.9 Deleting a Fair Value Determination Run Definition

You can delete an existing Run definition from the *Fair Value Definitions Summary* window.

To delete one or more existing Run definitions, perform the following procedure:

1. Select the checkbox(s) adjacent to the Run definitions you want to delete.
2. Click **Delete** button from the *Fair Value Determination Run Definition* grid.

A warning dialog is displayed.

3. Click **Yes** button.

The selected definitions are removed from the *Fair Value Determination Run Definition* window.

Hedge Management Effectiveness Process

This chapter covers the following topics:

- ? [Overview of Effectiveness Process](#)
- ? [Hedge Definitions](#)
- ? [Hedge Effectiveness Testing](#)

6.1 Overview of Effectiveness Process

HM Effective Processes allow you to perform the following tasks:

- ? Determine the name, location, and access type of process rule that you want to perform (Process block).
- ? To select the Hedge definition (Hedges block).
- ? Submit to the HM engine the prospective and retrospective processing types.
- ? Formulate and execute the HM processing request and generate results (HM Process Summary Page).

6.2 Hedge Definitions

Hedge Creation process consists of the Hedge Definition UI in the OFS HM application. The UI components are detailed in the following sections.

6.2.1 Access Hedge Definitions

You can access Hedge Definitions section by clicking the Hedge Definitions link present under Hedge Management menu in the LHS of the OFS HM application. Upon clicking this link, the *Hedge Definitions Summary* page is displayed with the list of all the existing definitions. These definitions are listed with the details such as Hedge Name, Hedge Type, Folder, Creation Date, Created By, Last Modification Date, and Last Modified By.

6.2.2 Search for Hedge Definitions

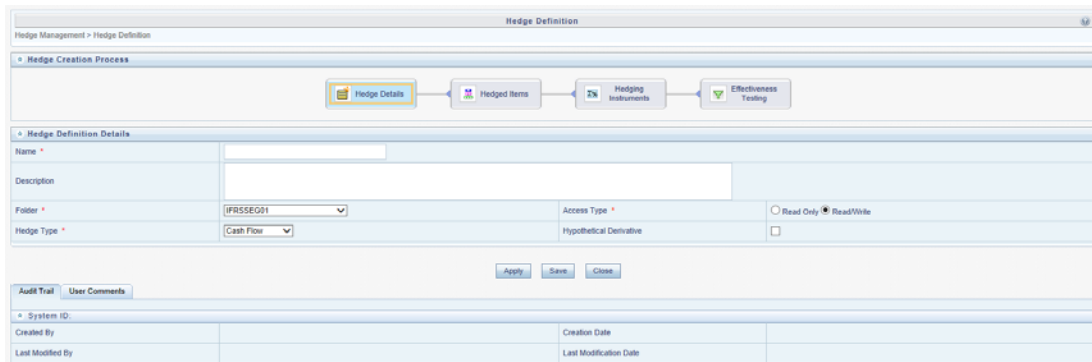
You can search for existing definitions using the search parameters such as Folder, Definition Name, or hedge type Hedge Type and by clicking the **Search** button. Upon performing a search operation, only those definitions that match with the search criteria are displayed in the *Hedge Definitions* grid.

6.2.3 Add Hedge Definition

To create a Hedge Definition, perform the following procedure:

Note: Fields marked in Asterisks (*) are mandatory.

1. Click **Add** button from the *Hedge Definitions* grid.
The *Hedge Definition* window is displayed.



The *Hedge Definition* window displays the *Hedge Creation Process* and *Hedge Definition Details* grids. The *Hedge Creation Process* grid contains the four step processing as depicted in the following figure:



By default, the **Hedge Details** process is selected.

2. Enter the details in the *Hedge Definition Details* grid, as tabulated:

Table 6–1

Field	Description
Name	Enter the name of the Hedge Definition.
Description	Enter the description of the Hedge Definition.
Folder	Select the folder from the drop-down list. Folders are segments present in the selected Information Domain.
Access Type	Select the access type as either Read Only or Read/Write by selecting appropriate radio button. This selection determines whether the definition should be made available for edit at a later point of time.
Hedge Type	Select the hedge type from the drop-down list. The Available values are the following: <ul style="list-style-type: none"> ⌵ Cash Flow ⌵ Fair Value ⌵ Net Investment in Foreign Operations Choose the Hedge Type appropriately, that is in line with the accounting policies of the financial institution. Note: These options influence the computation logic. And the accounting adjustments are based on the selection made here.

Table 6–1

Field	Description
Hypothetical Derivative	Select the checkbox adjacent to this field, if Hypothetical Derivative is a part of the hedge. If this option is checked, then the definition is created for a Hypothetical Hedge.

3. Click **Apply** button to save the changes.
4. Click **Save** button to save the definition and close the window.
5. Click **Hedged Items** process from *Hedge Creation Process* grid.
6. Select the Definition Type as either **Hedge Segment** or **Hedge Instruments/Accounts**.

This allows you to create a hedge either on Segment (Portfolio) basis or on Instrument/Accounts basis.

Depending on this selection, the *Hedged Items* or *Hedged Instruments* grids are displayed.
7. Enter the percentage to be hedged in the text field adjacent to the **Percentage to be Hedged** field.

Permitted values are numeral from 1 to 100 without any decimals. If this field is not specified, upon Effectiveness Testing execution, this is treated as 100% and not as NULL.

Depending on the definition type you have selected, fields in *Hedged Items* or *Hedged Instruments* grids are displayed. Click the required link:
 - ? [Hedged Items](#)
 - ? [Hedged Instruments](#)

6.2.3.1 Hedged Items

To add Hedge Items to the definition, perform the following procedure:

Click **Add** button from the Hedged Items grid. The *Hedge Segments* window is displayed with the list of existing Hedge Segments. Here you can search for segments using ID, Name, and/or Type.

Select the checkbox adjacent to the Segment ID of the Hedge Segment you want to select and click **Apply** button.

The selected segments are displayed with the details such as Segment ID, Segment Name, and Segment Type.

6.2.3.2 Hedged Instruments

To add hedged Instruments to the definition, perform the following procedure:

Click **Add** button from the *Hedged Instruments* grid.

You have to select an instrument type that you want to search for. Depending upon the selection, the search parameters are disabled if they are not relevant for the selected Instrument Type. To use Time to Maturity search option, you need to specify the band from drop-down list and the date as of which application has to bucket records into the selected maturity band.

The *Hedge Instruments* window is displayed with the list of existing Instruments available for Hedging.

You can search for Instruments using Instrument Type, Product, Instrument ID, Party Type, Instrument Name, and/or Account ID.

Select the checkbox adjacent to the **Instrument ID** of the Hedge Instrument you want to select and click **Apply** button.

The selected Instruments are displayed with the details such as Account ID/No, Product, Party, Instrument Name, and Currency.

Note: If you switch between the Hedge Segments and Hedge Instruments, contents in the grid will be reset.

8. Click **Hedging Instruments** process from *Hedge Creation Process* grid.

9. Click **Add** button from the *Hedging Instruments* grid.

The *Hedge Instruments* window is displayed with the list of existing Hedge Instruments.

You can search for Instruments using Instrument Type, Product, Instrument ID, Party Type, Instrument Name, and/or Account ID.

10. Select the checkbox adjacent to the Instrument ID of the Hedge Instrument you want to select and click **Apply** button.

The selected Instrument are displayed with the details such as Account ID/No, Product, Party, Instrument Name, and Currency.

Note: It is possible that some instruments may appear in the *Search* grids of both *Hedged Items* and *Instrument Types* windows, to be potentially picked up for inclusion in the definitions. This is due to Segments which the application does not read into individual instruments for the mutual exclusive logic to work. However, if such a scenario exists, Effectiveness Testing logic will enforce mutual exclusivity by excluding such common instruments/accounts from the Hedged Items during processing.

11. Click **Effectiveness Testing** process from **Hedge Creation Process** grid.

12. Populate the form under *Choose Effectiveness Testing Parameters* grid, as tabulated:

Table 6–2

Field	Description
Fair Value Determination Run Definition Folder	Click the drop-down list and select the required folder from the list of folders.
Fair Value Determination Run Definition	This field displays the definitions, depending on the folder you have selected in the Fair Value Determination Run Definition Folder field. Click the drop-down list and select the required definition from the list of definitions.
Measurement Methodology	Select the checkbox adjacent to the required measurement methodology. Available values are the following: <ul style="list-style-type: none"> ☐ Prospective ☐ Retrospective
Hedge Ratios	The following needs to be selected to calculate Hedge Ratio.

Table 6–2

Field	Description
Computation Type	Click the drop-down list and select the required computation type from the list. Available values are the following: <ul style="list-style-type: none"> ? Net ? Cumulative
Prospective Hedge Ratio Methodology	This field is enabled only if you have selected Prospective as the measurement methodology. Click the drop-down list and select the required Prospective Hedge Ratio Methodology from the list. Available values are the following: <ul style="list-style-type: none"> ? Dollar Offset ? Variability Reduction
Retrospective Hedge Ratio Methodology	This field is enabled only if you have selected Retrospective as the measurement methodology. Click the drop-down list and select the required Retrospective Hedge Ratio Methodology from the list. Available values are the following: <ul style="list-style-type: none"> ? Dollar Offset ? Variability Reduction
Economic Relationship	Select the checkbox adjacent to the Economic Relationship field, if you want to calculate the economic relationship using Prospective or Retrospective methods.

13. Click **Apply** button to apply the changes. The Apply function saves the data and retains the window open for further operations.
14. Click **Save** button to save the changes. Once saved, the definition is displayed in *Hedge Definitions* grid of the *Hedge Definitions Summary* window.

6.2.4 Viewing a Hedge Definition

The View feature enables you to view the details of an existing Hedge definition. To view the definition details, perform the following procedure:

1. Select the checkbox adjacent to the Hedge definition name, which you want to view, in the *Hedge Definitions* grid.
2. Click **View** button.

The *Hedge Definition* window is displayed in view mode with the definition details.

In **View** mode you cannot add or edit any of the fields.

6.2.5 Editing a Hedge Definition

The edit feature enables you to update the details of an existing Hedge definition. To edit an existing Hedge definition, perform the following procedure:

1. Select the checkbox adjacent to the Hedge definition name, which you want to edit, in the *Hedge Definitions* grid.
2. Click **Edit** button.

The *Hedge Definition* window is displayed in edit mode with the definition details.

3. Update the required fields of the definition. For more information, see [Add Hedge Definition](#) section.

4. Click **Save** button to save the definition details.

The saved definition is displayed under *Hedge Definitions* grid in the *Hedge Definitions Summary* window.

6.2.6 Copying a Hedge Definition

You can copy the details of an existing Hedge definition and create a new definition by changing the Name and Description, from the *Hedge Definitions Summary* window.

To copy the details of an existing Hedge definition, perform the following procedure:

1. Select the checkbox adjacent to the Hedge definition you want to copy.
2. Click **Copy** button from the *Hedge Definitions* grid.
The *Save As* window is displayed.
3. Enter a name for the Hedge definition in the text area adjacent to the **Name** field.
4. Enter s description for the Hedge definition in the text area adjacent to the **Description** field.
5. Select the folder from the drop-down list adjacent to the **Folder** field. The Folders are Segments defined under the current Information Domain.
6. Select the required radio button adjacent to the **Access Type** field to make the definition **Read Only** or **Read/Write**.
7. Click **Save** button to save the definition details.

The saved definition is displayed under *Hedge Definitions* grid in the *Hedge Definitions Summary* window.

All the definition details except the Name, Description, Folder, and Access Type remain the same as that of the parent definition. You can edit the definition to update any details of the definition. For more details, see [Editing a Hedge Definition](#) section.

6.2.7 Checking Dependencies of a Hedge Definition

You can check the dependency information of individual Hedge definition from the *Hedge Definitions Summary* window.

To check the dependency information of an existing Hedge definition, perform the following procedure:

1. Select the checkbox adjacent to the Hedge definition of which you want to check the dependency information.
2. Click **Check Dependency** button from the *Hedge Definitions* grid.

The dependency information of the selected definition are displayed in the *Dependency Information* window with the details such as Child Object Name, Child Object Type, Folder, Parent Object Name, Parent Object Type, and Folder.

6.2.8 Deleting a Hedge Definition

You can delete an existing Hedge definition from the *Hedge Definitions Summary* window.

To delete one or more existing Hedge definitions, perform the following procedure:

1. Select the checkbox(s) adjacent to the Hedge definitions you want to delete.
2. Click **Delete** button from the *Hedge Definitions* grid.

A warning dialog is displayed.

3. Click **Yes** button.

The selected definitions are removed from the *Hedge Definitions Summary* window.

6.3 Hedge Effectiveness Testing

Hedge Effectiveness testing consists of four criteria. Effectiveness testing is triggered by selecting the appropriate fair value definition run and the required date. While Credit Risk Dominance and Hedge ratio is mandatory, the user can choose between economic relationship or critical terms match or both.

For a hedge to be effective, each of the three or four parameters based on the user selection have to be effective. If any one of the parameters is ineffective, then the entire hedge is ineffective.

6.3.1 Quantitative Attributes

- ? **Economic Relationship:** This attribute tests if economic relationship exists between the hedged item and the hedging instrument. The process requires the fair values of both the hedged item and hedging instrument for set of dates. The system compares the fair values of both the hedged item and hedging instrument and calculates the correlation factor for the same. The correlation range that is acceptable to the entity is stored in the system and is compared with the correlation factor of the specific hedge.

If the correlation value of the hedge is within the range, then economic relationship exists and the hedge is effective, else it is considered ineffective. If there are multiple hedging instruments present, then multiple correlation values are calculated as output. Economic relationship can be computed either retrospectively or prospectively. Prospective testing is possible only if the hedge consists entirely of Level 3 accounts. If the hedge consists of Level 1 or Level 2 instruments, then only retrospective testing is possible.

- ? **Hedge Ratio:** This is computed using one of the two methods.

1. Dollar Offset Method
2. Variability Reduction Method

The entity can choose to select one of the method in order to compute the hedge ratio. Hedge Ratio can be computed either retrospectively or prospectively. Prospective testing is possible only if the hedge consists entirely of Level 3 accounts. If the hedge consists of Level 1 or Level 2 instruments, then only retrospective testing is possible.

Hedge Ratio can be computed using cumulative period or net period. If Cumulative period is selected, then fair values of multiple dates are considered for the calculation. For retrospective method, if the period selected is Net, then fair values of only the hedge effectiveness date and previous date should be considered for calculation. For Prospective if the period selected is Net, then for the execution date, fair values between the start date index zero and one are considered.

The resulting value is compared with the range present in the system stored earlier. If the value is within the specified range, then the hedge is effective, else it is considered as ineffective.

6.3.2 Qualitative Attributes

6.3.2.1 Credit Risk Dominance

Credit Risk Dominance is one of the qualitative criteria of Hedge Effectiveness. This criteria tests if there is effect of credit risk which dominates the value changes that result from the

economic relationship between the hedged item and hedging instrument. This is tested in the form of a questionnaire which is divided into two sections. The first section consists of questions for which answers will be auto populated, based on the data derived from the hedging relationship.

The second section consists of questions that the user has to respond. Once the user responds to the questions, the response is compared with the score set by the administrator and a final score is arrived at.

The administrative user assigns a score to each option of all questions. The administrative user also sets the threshold score beyond which it is considered that credit risk is not dominant. For example, if the Aggregate threshold value set by the administrative user is 80%, and the user's response gets a score of 85%, then it is determined that Credit risk is Not Dominant. If the user's response is less than 80%, then Credit Risk is determined to be Dominant.

6.3.2.2 Critical Terms Match

The critical terms or attributes between the hedged item and hedging instruments are compared, and if all the critical terms match, then the Hedge is considered effective. If any of the terms do not match, then the hedge is considered ineffective. Examples of critical terms/attributes that matches are Notional Amount, Maturity Period, and Underlying Risk.

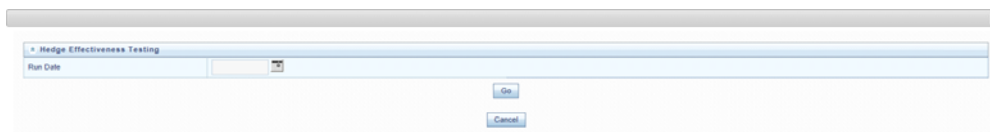
Additionally there should not be any change in the counter party credit risk. An entity can choose to include either critical terms match or economic relationship parameters or both for testing their hedge effectiveness.

6.3.3 Testing Hedge Effectiveness

Once a Hedge Definition details are saved and Effectiveness Testing Parameters are applied, you can test the effectiveness using the Test Effectiveness functionality from the *Choose Effectiveness Testing Parameters* grid. To test Hedge Effectiveness, perform the following procedure:

1. Click **Test Effectiveness** button from the *Choose Effectiveness Testing Parameters* grid.

The *Hedge Effectiveness Testing* window is displayed.



2. Select the Run Date by clicking the calendar icon present in the **Run Date** field.
3. Click **Go** button.

The Effectiveness Testing is triggered and a confirmation message is displayed.

Viewing HM Objects in Metadata Browser

A.1 Metadata Browser (Object and Application View)

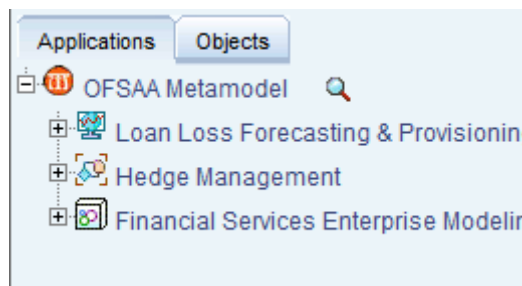
A.1.1 Metadata Browser (Object and Application View)

Metadata Browser (Object and Application View) provides common repository of metadata Objects created in OFSAAI and applications hosted in OFSAAI. Using this view, you can identify the usage of base Objects in higher level Objects and the mapping of Objects to Application. It enables to perform traceability and impact analysis. It also allows you to view the data flow and the work flow of the application and understand the usage of Objects within the application.

Metadata Browser (MDB) supports Application view and Object view: In Application view, you can browse through the metadata created using the applications hosted in OFSAAI. In Object view, you can view the metadata created in OFSAAI.

To access the Metadata Browser (Object and Application View), your role Business Analyst (SYSBAU) must be mapped to the SCR_MDB function. For more information on mapping functions to a role, see Function - Role Map.

The Application view provides the top-down approach to view the defined metadata. The Application view shows the list of Applications at the parent level, and the Child elements are Runs for the application. This list will grow dynamically based on the Run definitions mapped to Application, through this tab user can view Run execution details in Metadata Browser.



For more information on Metadata Browser, see Metadata Browser section of Oracle Financial Services Analytical Application Infrastructure (OFSAAI) User Guide.

A.1.2 Configuring Metadata Browser

You can configure the Metadata Browser for HM using the following steps:

1. Map the MDB batch to User - Group using the Object Administration > Object Security > Batch Execution Rights as mentioned below:



For more information, see Command Line Utility to Publish Metadata in Metadata Browser section in Oracle Financial Services Analytical Application Infrastructure (OFAAI) User Guide.

For more information, see ICC Batch Execution section of Oracle Financial Services Analytical Application Infrastructure (OFAAI) User Guide.

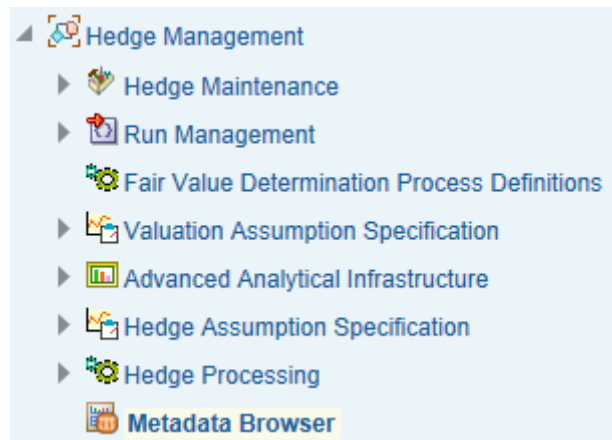
2. Execute the Batch for MDB publish.
3. Navigate to Metadata Browser (Object and Application Loading) window of respective application.

A.2 Viewing HM Objects in Metadata Browser

Hedge Management under Oracle Financial Services Analytical Applications has the Metadata Browser (MDB).

To view HM applications and objects in MDB, perform the following steps:

1. After successful execution of the Batch for MDB Publish, in the Applications tab of the Oracle Financial Services Analytical Applications window, in the Left-Hand Side (LHS) menu under Hedge Management, choose Metadata Browser. You can also access Metadata Browser in the Object Administration tab.



2. Click the Application tab under *Metadata Browser* window to view the HM applications.

3. Click the *Object* tab under *Metadata Browser* window to view HM objects:
4. Under Process Metadata > Rules, all the rules defined under HM window are displayed.

Multi Language Support

B.1 Overview

With the introduction of Multi Locale Support, the user interfaces can be viewed in various languages. The display language is a selection in the login screen. In addition to the base language (American English, for example, en_US), the following languages are currently supported for Hedge Management, by installing the associated Language Pack.

Table B-1

Language Name	Java Locale
Arabic	AR_EG
Portuguese	PT_BR
French	FR_FR
German	DE_DE
Indonesian	IN_ID
Italian	IT_IT
Japanese	JA_JP
Korean	KO_KR
Russian	RU_RU
Simplified Chinese	ZH_CN
Spanish	ES_ES
Thai	TH_TH
Traditional Chinese	ZH_TW
Vietnamese	VI_VN
Turkish	TR_TR
Hebrew	iw_IL
French Canada	fr_CA

Depending on the type of the rule, the Name/Description specified during create/edit is either attached to the login-locale or is stored independent of the login-locale. The selection of the login-locale therefore governs which assumption/rules are visible, and which are not visible. The following illustrates the visibility of assumptions and rules, across languages in the 8.0.0.0.0 release. This applies to all Summary screens, embedded selections in subsequent screens, and so on.

Note: Starting from AAI 7.3.3.0.0, all Dimension Management Objects as well as Filters and Expressions would be visible in all languages (and therefore available for embedding), regardless of the language in which they were created.

Table B-2

Assumption / Rules	Visible across all languages	Visible only in the creation-language*
Common Object Maintenance		
Process Tuning	<input checked="" type="checkbox"/>	
Simplified Batch	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Holiday Calendar		
**		
Dimension Management	Refer to the OFSAAI User Guide to verify the behavior.	
(Attributes, Members, and Hierarchies)		
Filters		
Expressions		
SQL Rules	Refer to the OFSAAI User Guide to verify the behavior.	
Data Entry Forms and Queries	Refer to the OFSAAI User Guide to verify the behavior.	
Common Object Maintenance> Rate Management		
Interest Rate Codes **	<input checked="" type="checkbox"/>	
Currencies **	<input checked="" type="checkbox"/>	
Economic Indicators **	<input checked="" type="checkbox"/>	
HM Maintenance		
Payment Patterns **	<input checked="" type="checkbox"/>	
Repricing Patterns **	<input checked="" type="checkbox"/>	
Time Buckets **	<input checked="" type="checkbox"/>	
Valuation Assumption Specification		
Product Characteristics		<input checked="" type="checkbox"/>

Table B-2

Assumption / Rules	Visible across all languages	Visible only in the creation-language*
Discount Methods		<input checked="" type="checkbox"/>
Prepayments		<input checked="" type="checkbox"/>
Prepayment Models		<input checked="" type="checkbox"/>
Forecast Rate Scenarios		<input checked="" type="checkbox"/>
Hedge Assumption Specification		
Hedge Definition		<input checked="" type="checkbox"/>
Hedge Processing		
HM Valuations Process		<input checked="" type="checkbox"/>
Hedge Effectiveness Process		<input checked="" type="checkbox"/>
Cash Flow Edits		

* A future release (TBD) will expand visibility for many of these application object types, to provide visibility regardless of logged-in locale.

** These object-types are visible across all languages because the Name and Descriptions are not stored in translation-compatible structures, which is different from the storage format for AAI objects like Dimension Management, Filters and Expressions.

Standard Navigation Paths

This appendix gives you information to navigate through the pages referred to in this guide.

C.1 Standard Navigation Paths

Typical Oracle Financial Services Hedge Management navigation paths are shown in this table. Access all of these pages through the HM Administrator or HM Analyst responsibility.

Table C-1

Page	Navigation Path
Application Preferences Home	Hedge Management > Hedge Maintenance > Application Preferences
Global Preferences	Hedge Management > Hedge Maintenance > Global Preferences
Fair Value Determination Process Definitions	Hedge Management > Fair Value Determination Process Definitions
Run Management	Hedge Management > Run Management
Hedge Definitions	Hedge Management > Hedge Definitions

Oracle HM Error Messages

D.1 Oracle HM Error Messages

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
<Assumption rule type> in Oracle HM Process Rule <Assumption rule name> not found in database	Assumption Rule cannot be found in the database.	105	If rule is critical for processing, processing is stopped.
No Match for IRC	Interest Rate Code cannot be found in the active Historical Rates database.	110	When the instrument reprices, it will receive a zero rate.
No Data for IRC	Interest Rate Code exists in the active Historical Rates database, but there are no corresponding rate values.	115	When the instrument reprices, it will receive a zero rate.
Dimension Types mismatch: COL vs. Application Preference for dimension: <dimension number>	Definition for dimension chosen as product dimension in Application Preferences has changed or no longer exists in the database. Also can relate to Organizational Unit dimension if two-dimension output processing is defined.	120	Processing is stopped.
No of Buckets mismatch Time Bucket in <Assumption Rule>	Assumption Rule was created when the active Time Bucket Rule held more/less buckets than it has currently; therefore, the Assumption Rule contains more/less bucket information than necessary.	325	If Assumption Rule holds more buckets than what currently exists, only the buckets within the current modeling term will be used. If Assumption Rule holds less buckets than what currently exists, the assumption for the last bucket will be carried forward for the remainder of the modeling term.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Inconsist. Run: No Options Selected for Sel. Reproc.	No Options Selected for Selective Reprocessing in the Process Rule.	330	Processing is stopped.
Inconsist. Run: No Instrument Tables selected	There are no Instrument Tables selected in the Process Rule.	330	Processing is stopped.
Inconsist. Run: Inconsistent Sel. Reproc. buckets	Number of modeling buckets in results is not consistent with the number of modeling buckets in the active Time Bucket Rule during a selective reprocessing run.	330	Processing is stopped.
Inconsist. Run: Duplicate AutoBal leaves	Duplicate Auto Balance leaves defined in Application Preferences.	330	Processing is stopped.
Inconsist. Run: Not all AutoBal leaves defined	Not all Auto Balancing leaves are defined.	330	Processing is stopped.
Can't hit target for Leaf member: <leaf number> bucket: <bucket number>	It is impossible to calculate a new add balance that will satisfy the conditions required for new business balances.	335	No new business will be added for this bucket.
No Product Char. for leaf member: <leaf number>	Payment and repricing data have not been set up in the current Product Characteristics Rule for leaf member being processed.	340	Default characteristics will be used: ? amortization type = 700 ? payment frequency = original term ? percent taxable = 100% ? accrual basis = 30/360 ? repricing frequency = 0
Invalid record: Invalid Amortization Code leaf member: <leaf number>	Amortization code is not equal to 100, 200, 400, 500, 600, 700, 710, 820, 830, 840, 850	345	Oracle HM will assume an amortization code of 700
Invalid record: Maturity Date in the past leaf member: <leaf number>	Maturity Date is less than the as of date	345	Record is not processed.
Invalid record: Remaining number of payments <= 0 leaf member: <leaf number>	Remaining number of payments is less than or equal to zero.	345	Record is not processed.
Invalid record: Pmt Freq = 0 leaf member: <leaf number>	Payment frequency is equal to zero on an amortizing instrument.	345	Record is not processed.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Invalid record: AmrtTerm < OrgTerm on amortizing instrument leaf member: <leaf number>	Amortization term is less than original term for amortizing instrument.	345	Re-amortization of payment will be affected.
Invalid record: Next payment date in the past leaf member: <leaf number>	Next payment date is less than the as of date.	345	If next payment date is much less than the as of date, it may cause the system to run out of memory.
Invalid record: Invalid net margin code leaf member: <leaf number>	Net margin code <> 0 or 1	345	Oracle HM will default the net margin code to 0: Floating Net Rate
Invalid record: Current payment = 0 on amortizing instrument leaf member: <leaf number>	Current payment equal to zero and amortization code is other than simple / non amortizing.	345	For amortization codes of 100, 500, and 600, interest will be capitalized as principal. For amortization code of 820, no principal payments will be made.
Invalid record: Valid rate cap < current rate leaf member: <leaf number>	Rate Cap is not equal to zero and it is less than the current rate.	345	Rate cap will be imposed on first repricing date.
Invalid record: Valid rate floor > current rate leaf member: <leaf number>	Rate Floor is not equal to zero and it is greater than the current rate.	345	Rate floor will be imposed on first repricing date.
Invalid record: Next repricing date in the past on repricing instrument leaf member: <leaf number>	Repricing frequency is not equal to zero and next repricing date is less than the as of date.	345	If the next repricing date is very far in the past, it may cause the system to run out of memory.
Invalid record: Invalid int rate code on repr instr leaf member: <leaf number>	Reprice frequency is greater than zero and Interest Rate Code is not found in the active Historical Rates database.	345	Instrument will not reprice.
Invalid record: Original term = 0 leaf member: <leaf number>	member: <leaf number> Original term is equal to zero.	345	This will produce erratic results if instrument is Rule of 78's; amortization term is also zero; or payment frequency is also zero on a non amortizing instrument.
Invalid record: Current net rate <= 0 on amortizing instrument leaf member: <leaf number>	Amortization code is 100, 500, 600, 820 and current net rate <= 0.	345	Negative income will be generated for positive balances.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Invalid record: Inconsistency of reprice freq and amortization leaf member: <leaf number>	Amortization code is 500 or 600 and reprice frequency is zero or amortization code is 100 and reprice frequency is non zero.	345	Reprice frequency will overwrite characteristics defined by amortization type code.
Invalid record: No of Events>16000	Number of events is greater than 16,000.	345	
Invalid record: OrgTerm and PmtFreq = 0	Both original term and payment frequency are equal to zero.	345	Record is ignored.
Invalid record: Invalid Account Type	Invalid Account Type	345	Logs an error, continues execution.
Invalid record: Deferred calculations do not converge	Deferred calculations do not converge.	345	Logs an error and recognizes all deferred income at maturity.
Invalid record: YTM Calculations do not converge. leaf: <leaf number>	YTM calculation do not converge.	345	Logs an error and the YTM for the record is assumed to be zero.
Invalid record: EIR Calculations do not converge. leaf: <leaf number>	EIR calculation do not converge.	345	Logs an error and the EIR for the record is assumed to be zero.
Invalid record: Invalid Effective Interest Rate on instrument record; Market value, Yield to Maturity, Duration, Modified Duration, Convexity values have been calculated using 0 Effective Interest Rate. leaf: <leaf number>	Effective Interest Rate in the instrument record is less than 0 or greater than 99 and the discount method is EIR and in the calculation block Market value is selected and EIR is not selected.	345	Logs an error and the Market value, Yield to Maturity, Duration, Modified Duration, Convexity values will be calculated using 0 Effective Interest Rate.
Invalid record: Invalid Average Life. leaf: <leaf number>	Calculated Average life value for the record is 0.	345	Logs an error
Bucket Number Mismatch	Assumption Rule was created when the active Time Bucket Rule held more/less buckets than it has currently; therefore, the Assumption Rule contains more/less bucket information than necessary.	350	If Assumption Rule holds more buckets than what currently exists, only the buckets within the current modeling term will be used. If Assumption Rule holds less buckets than what currently exists, the assumption for the last bucket will be carried forward for the remainder of the modeling term.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
No Target for Roll/Auto leaf member: <leaf number> bucket: <bucket number>	Forecast Balance methods of Target Average or Target End cannot be used for a Leaf member value used as a roll-into leaf or as an autobalancing leaf member.	360	Targeting methods cannot be used for leaves specified as roll-into or autobalancing. The targeted balances will be ignored.
Res_det: Security violation	Current user does not have rights to create an Oracle HM results table.	365	Processing is stopped.
Res_det: Truncate fail	Results table for current processing rule could not be cleared of old data.	365	Processing is stopped.
Res_det: Creation fail	Results table for new processing Rule could not be created.	365	Processing is stopped.
Res_det the structure of the result _detail table was invalid for selective reprocessing	The structure of the current Result Detail table does not match the IDT Result Detail Table Template.	365	Processing is stopped.
Account Type not defined for leaf member (leaf number)	In Dimension Member Set-Up, an account type attribute has not been specified for the current leaf member.	370	Account type will default to Earning Assets.
No. of scen in results > expected leaf member: <leaf number>	Number of scenarios in results set is greater than number of scenarios expected from querying the current Forecast Rates Assumption Rule while processing Autobalancing.	380	Auto-balancing will only be processed for the scenarios included in the current Forecast Rates Assumption Rule.
Invalid interest type - defaulted to interest in arrears	Interest type code is not equal to 0 or 1.	385	Instrument is defaulted to "interest in arrears".
Invalid Pmt pattern: pmt pattern code. <Payment Pattern Code>for new business - abs val.	Payment Pattern assigned to new business has a constant payment amount.	390	Error is logged.
No Amrt Type in Product characteristics for leaf member:<leaf number>	No amortization type code has been assigned in Product Characteristics for the current leaf member.	395	An error message is logged and instrument is defaulted to simple interest.
Invalid Currency Gain/Loss Basis. Defaulted to "Temporal"		406	

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Pay-Equivalent Compounding Convention. Defaulted to "Do Not Adjust"		407	
Negative FullIndexGrs Rate for leaf member: <leaf number>	A negative fully indexed gross rate was calculated on a repricing event.	505	The negative rate will be assigned to the instrument.
Negative FullIndexNet Rate for leaf member: <leaf number>	A negative fully indexed net rate was calculated on a repricing event.	505	The negative rate will be assigned to the instrument.
Negative CurGrsRate Rate for leaf member: <leaf number>	A negative current gross rate was calculated on a repricing event.	505	The negative rate will be assigned to the instrument.
Negative CurNetRate Rate for leaf member: <leaf number>	A negative current net rate was calculated on a repricing event.	505	The negative rate will be assigned to the instrument.
Negative CurTrRate Rate for leaf member: <leaf number>	A negative current transfer rate was calculated on a repricing event.	505	The negative rate will be assigned to the instrument.
Rate Not Found	Forecasted rates do not exist for interest rate code on current instrument.	520	When the instrument reprices, it will receive a zero rate.
1st point used	Reprice date occurs before forecasting period; forecasted rates do not exist.	525	This may occur if the data holds a reprice date which is less than the As of Date. Instrument will reprice to the rate as of the As of Date.
Last point used	Reprice date occurs beyond forecasting period; forecasted rates do not exist.	530	This may occur when calculating market values beyond the modeling term or calculating the last reprice/payment event for accruals in the last bucket. Instrument will reprice to the rate as of the last forecasted date.
Code found only	Interest rate code exists in Forecast Rates Assumption Rule, but no rates have been forecast.	535	When the instrument reprices, it will receive a zero rate.
Prepayment tier not selected, zero prepayment rate used.	Market Rate and Quote Basis have been defined in the Prepayment Rule, but no tiers or prepayment percents have been created.	540	No prepayments will occur on this Leaf member.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Last payment date is before origination date.	The last payment date from instrument record is prior to the origination date on the instrument record.	545	Logs error and continues. For Transaction Strategy, last reprice date is set to origination date.
No reprice frequency for adjustable record.	Instrument is coded as adjustable, but the reprice frequency is equal to zero.	550	Instrument will be treated as fixed rate.
No schedule found for record.	No match can be found in the payment schedule table for the current record.	555	Logs error and defaults to simple interest record if payment frequency does not = 0.
Pattern data can not be found for AMRT_TYPE:<payment pattern code>	No payment pattern information has been defined for the documented amortization type code.	560	Log error and default to simple interest.
No pattern information found for record.	Documented amortization type code exists in database, but no supporting details are available.	565	Currently is used to notify users about invalid adjustable type code. Record defaults to fixed.
Maturity date from record does not match schedule data.	The maturity date on instrument record does not exist in the payment schedule table for the current record.	570	Logs error. Uses maturity date for schedule.
Conv amrt with interest in advance, defaulted to arrears.	Conventionally amortizing instrument is classified as interest in advance. This combination is not supported.	575	The instrument will be defaulted to interest in arrears.
Invalid Amrt. Type detected. Defaulted to Simple Int.	An unknown Amortization Type Code was used.	585	Instrument will be defaulted to simple interest.
No Repricing Pattern found for record.	An unknown Adjustable Type Code was used.	600	Instrument will be defaulted to Other Adjustable.
Invalid Event_Det_Seq (Adj_Type_CD:<Adjustable type code>); Evnt_dtl_seq should start from 0.	For an Event Sequence, Event Detail Sequence has started from a non-zero value.	635	Repricing pattern is ignored and will produce erratic results if this repricing pattern is used.
1st point used.	Reprice date occurs before forecasting period; forecasted rates do not exist.	725	This may occur if the data holds a reprice date which is less than the As of Date. Instrument will reprice to the rate as of the As of Date.

Table D-1

Error Message	Error Condition	Error Code	Effect of Error on Processing
Last point used.	Reprice date occurs beyond forecasting period; forecasted rates do not exist.	730	This may occur when calculating market values beyond the modeling term or calculating the last reprice/payment event for accruals in the last bucket. Instrument will reprice to the rate as of the last forecasted date.
Negative Transfer Rate.		740	
Invalid duration generated for this row.		795	
Divide by zero		810	

Glossary

Aggregation

To summarize detailed instruments to a table in the database which can be used for faster processing in ALM.

Answers

Answers is the OBIEE (Oracle Business Intelligence Enterprise Edition), ad-hoc reporting tool.

As of Date

Date at which the data is current.

Asset/Liability Management Committee

The Asset/Liability Management Committee (or ALCO) is an organization within a financial institution whose charter is to manage interest rate and liquidity risk.

At-Risk Period

The time horizon for Value-at-Risk, such as the difference between the time in the future when we evaluate a portfolio loss and the As of Date.

Base Rates

Section in Oracle Asset Liability Management that stores the interest rates associated with the data As-of-Date.

Basis Points

1/100th of a percent (abbreviated as "bps")

Cash Flow Instrument Table

An instrument table that contains all of the OFSAA cash flow columns required by the cash flow engine.

Cash Flow Column

Column in an instrument table used by the OFSAA cash flow engine to perform cash flow analysis on a record.

CPR

Constant Prepayment Rate (CPR) is a measure of an annualized prepayment rate.

Credit Risk

The risk that a loan holder will be unable to repay any portion of the loan.

Current Rate Risk Profit

Component of funding center rate risk results attributed to current mismatches of assets and liabilities.

Data Filter Rule

Data Filters are used to define which data should go into a processing run.

Data Input Helper

A pop-up dialogue that facilitates the definition of a series of input values (dates or numbers) by allowing several methods for defining structured patterns in the data.

DDA

Demand Deposit Account. An example of a DDA is a checking account.

De-annualize

To compute the monthly equivalent rate of an annual rate.

Duration

Duration is the rate of market value change with respect to discount rate changes. It is a measure of market value sensitivity: the lower the value, the less sensitive the market value to changes in interest rates.

Embedded Rate Risk Profit

Portion of funding center rate risk result attributed to prior rate bets.

Funding Center

Area in a financial institution that receives the transfer pricing charge and credit for funds.

Funds Transfer Pricing

A method for valuing all sources and uses of funds for a balance sheet.

General Ledger

The main data source that defines an institution's financial reality. The General Ledger reflects all accounting entries.

Grid

A logical grouping of cells often surrounded by scroll bars.

Hierarchy

Hierarchical structure for dimension members in OFS applications (Examples: organizational and product type)

Historical Rates Table

OFSAA repository for all historical actual interest rates.

Instrument

Synonymous with an account record or an individual contract.

See also: Instrument Table

Instrument Table

A type of table contained in the OFSAA database used to store account level information.

Instrument Records

Rows in the OFSAA database that carry transaction account level information (Example: deposit account by deposit account)

Interest Rate Code

User defined code to reference a yield curve or single rate index for historical analysis, transfer pricing, and interest rate forecasting purposes.

Last Repricing Date

Date the rate last changed for an adjustable rate instrument and the origination date for a fixed rate instrument.

Leaf Fields

OFSAA database fields used to define hierarchical segmentations of data. They also draw a relationship between the instrument data and the General Ledger data in Ledger/Stat. Also known as key dimensions.

Leaf Values

Specific numeric values that make up the Leaf Fields. These are dimension members that can never be used as parent nodes on a hierarchy. The fact data should always be populated with dimension member - leaf values only.

Ledger Stat

Table in the OFSAA database that stores all General Ledger as well as statistical information for current and historical periods.

Liquidity Premiums

A charge levied on a long-term instrument to compensate for illiquidity of the funds.

Log in

To access the programs and database of any OFSAA application by providing a valid user name and password.

Long Run Rate

One of the user-input parameters of the Vasicek (discrete-time) term structure model; represents the equilibrium value of the one-month annually compounded rate.

Market Price of Risk

In financial economics theory the market price of risk is a measure of inter-temporal risk-aversion of the aggregate investor; for example, a high market price of risk during some future period means that investors will be more risk-averse, and that rates for that term should be higher to compensate for this risk; in practical terms, the market price of risk is the "plug" that makes the risk-neutral rates price risk-free bonds correctly.

Market Value

In Monte Carlo, average of the (scenario specific) present values. In deterministic processing, it is the present value of the cash flows of the specific scenario.

Matched Rate Transfer Pricing

Method of Transfer Pricing where all accounts have transfer rates that reflect their specific maturity and repricing characteristics.

Matched Spread

The interest profit margin for any account, measured as the Note Rate minus the Transfer Rate for asset accounts and the Transfer Rate minus the Note Rate for Liability and Equity accounts.

Monthly Rate

Yield on a loan contracted at the beginning of a month for a period of one month assuming a continuous compounding basis; the monthly rate is a function of time and scenario; the Rate Generator also computes rates for a different term than a month.

Next Repricing Term

Repricing frequency for an adjustable rate instrument and the original term to maturity for a fixed rate instrument.

Oracle Business Intelligence Enterprise Edition

OBIEE is Oracle's market leading business intelligence product. OFSAA applications are fully integrated with OBIEE through the OFSAA BI applications, including Oracle Financial Services Asset Liability Management Analytics and Oracle Financial Services Profitability Analytics.

Oracle Financial Services Analytical Applications Infrastructure

OFSAAI is a set of powerful administrative tools that provide management of the OFSAA environment and access to the database by OFS application users. The Infrastructure is a required component for all OFSAA applications with the exception of Balance Sheet Planning.

Oracle Financial Services Advanced Analytical Applications Infrastructure

The advanced infrastructure provides the modeling framework and stress testing framework as additional complimentary components to supplement to core analytic applications.

Operating Cost

Non-interest related cost of running a business.

Option Costs

Costs assigned to measure the value of any customer option on an instrument. (Example: prepayments on mortgage loans). These costs are typically added to the base transfer rate to compute an all-in funding rate.

Portfolio Fields

Fields in the OFSAA database that are common to multiple instrument tables. The OFSAA Administrator determines the portfolio fields.

Prepayment

A reduction in the principal balance of a transaction record prior to the contracted schedule date.

Present Value

In Monte Carlo, sum of cash flows paid by a security along a particular rate scenario, discounted by the stochastic discount factor. In deterministic processing, the sum of the cash flows discounted by the deterministic discount factor.

PSA

A prepayment specification method established by the Public Securities Association, which relates the CPR to the age of that instrument.

Reconciliation

The process of comparing information from one data source to another.

Record

Usually a single account or transaction, or aggregation of accounts, stored in the database (also called a row).

Reporting Currency

An active currency to which balances in other currencies are consolidated, often used for reporting.

Single Rate

An interest rate code with only one point defined (Examples: prime rate and 11th District Cost of Funds Index).

Speed of Mean Reversion

One of the user-input parameters of the Vasicek and Extended Vasicek (discrete time) term structure models; represents the long-run drift factor.

SQL

Structured Query Language. A direct method of accessing the raw OFSAA database.

Stochastic Discount Factor

Present value (along a rate scenario) of one dollar received at some future time; it is a function of future time, OAS, and scenario.

Transfer Pricing Rule

An OFSAA Rule used to specify the method for transfer pricing each balance sheet account.

Volatility

One of the user-input term parameters of all (discrete-time) term structure models; represents a standard deviation of the one-month annually compounded rate.

Yield Curve

Term structure of annually compounded zero-coupon bond yield, as recorded in Rate Management > Historical Rates.

