Oracle Financial Services Financial Accounting and Reporting Standards (IFRS and CECL)

Version 8.0.5.0.0

Release Notes

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Financial Services

DOCUMENT CONTROL

Version Number	Revision Date	Changes Done
1.0	Created: August 2017	Document contents have been categorized into appropriate sections and structured considering all the 8.0.5.0.0 enhancements.
Created by: Aneesh Kurian	Reviewed by: IFRS Dev/QA	Approved by: Surag Ramachandran

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Preface

This Preface provides supporting information for the Oracle Financial Services Financial Accounting and Reporting Standards (IFRS and CECL) Pack Release Notes and includes the following topics:

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Overview of OFSAA

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

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

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

Purpose of This Document

This document contains release information for the following products:

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

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

Intended Audience

This document is intended for users of Oracle Financial Services FINANCIAL ACCOUNTING AND REPORTING STANDARDS (IFRS AND CECL) Application Pack.

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Related Documents

This section identifies additional documents related to OFSAA Infrastructure. You can access Oracle documentation online from Documentation Library for OFSAA Financial Accounting and Reporting Standards (IFRS and CECL) 8.x.

- Oracle Financial Services FINANCIAL ACCOUNTING AND REPORTING STANDARDS (IFRS AND CECL) Pack Installation Guide Release 8.0.5.0.0

- Oracle Financial Services LLFP User Guide Release 8.0.5.0.0

- Oracle Financial Services HM User Guide Release 8.0.5.0.0

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1 Introduction

Oracle Financial Services Financial Accounting and Reporting Standards (IFRS and CECL) Application Pack comprises Oracle Financial Services Loan Loss Forecasting and Provisioning (LLFP) and Oracle Financial Services Hedge Management and IFRS Valuations (HM).

1.1 Components of the Financial Accounting and Reporting Standards (IFRS and CECL) Application Pack

OFS Financial Accounting and Reporting Standards (IFRS and CECL) Application Pack includes the following applications:

- **Oracle Financial Services Loan Loss Forecasting and Provisioning**: Oracle Financial Services Loan Loss Forecasting and Provisioning (LLFP) is designed to aid institutions in calculating the provision for exposures as per IAS39 and IFRS 9. Proposed guidelines want institutions to estimate future losses and make provisions accordingly. Thus, the LLF&P Application calculates expected loss as well as incurred loss. International Financial Reporting Standards (IFRS 2009) guidelines have set out new requirements on the classification and measurement of financial assets and liabilities. It specifies two approaches for the measurement of assets namely Amortized Cost and Fair Value approach. A Run in the LLFP Application specifies the approach (Expected Loss or Incurred Loss) to be used to calculate Loan Loss Provisioning. Broadly these approaches (Expected loss and Incurred loss) are further classified depending upon the product type and impairment status of the account.

- **Oracle Financial Services Hedge Management and IFRS Valuations**: Oracle Financial Services HM enables financial institutions to manage their hedges and to define new hedge relationships and monitor them from time to time in a process-oriented manner. Traditionally, financial institutions manage it through a process that demands a lot of manual intervention. This poses challenges to meet the regulatory demand for documentation and maintenance. OFS HM IFRS product addresses this need by storing hedge relationships at desired levels and computing hedge effectiveness using industry-standard valuation techniques. It allows users to classify a financial instrument into any one of the prescribed categories and to reclassify it as another in the future. Then, it computes the fair value of all the financial instruments and profit/ loss on such valuation. It enables banks to manage fair valuation and hedge relationships and their effectiveness at a central place in a process-driven manner.

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2 Release Highlights

From OFSAA 8.0 release onwards, the concept of a grouping of functionally similar applications as a pack is being introduced. The OFS Financial Accounting and Reporting Standards (IFRS and CECL) pack contain the following two functionally similar applications:

- [Oracle Financial Services Loan Loss Forecasting and Provisioning (OFS LLFP)](#)
- [Oracle Financial Services Hedge Management and IFRS Valuations (OFS HM)](#)

2.1 Oracle Financial Services Loan Loss Forecasting and Provisioning

The following are the new features available in OFS LLFP as part of this release:

- **New Run for FASB's Current Expected Credit Loss (CECL)**: OFS LLFP application now computes the Current Expected Credit Loss (lifetime ECL) based on any one of the five available methodologies.

- **Troubled Debt Restructured (TDR) Reserve Computation**: This unique approach calculates Reserves using a distinct approach.

- **Reserve Adjustments for Qualitative and Environmental (Q&E) factors and other Reserve types**: OFS LLFP application features a set of workflow-based User Interfaces that enables financial institutions to compute various additional reserves and then adjust the computed ECL values (ECL computed using various methodologies for each account).

- **Probability of Default based Stage Determination**: This new Rule helps to determine the significance of an increase in Credit Risk, based on the change in the Probability of Default since the origination of accounts.

- **Aggregate Reporting Table Structures**: OFS LLFP now features reporting tables that contain reporting data at aggregated levels, based on a combination of various dimensions. All reports in the LLFP application works based on the data in this Aggregate Table Structure.

- **Accounting Enablement**: This feature has been enhanced to enable you to use required accounting data from OFS Hedge Management application as well, for downstream processing.

- **Vintage Analysis Report**: Across each Year of Origination the report depicts the composition of carrying amount, undrawn, and ECL across various stages.

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2.2 Oracle Financial Services Hedge Management and IFRS Valuations

The following are the new features available in OFS HM as part of this release:

- **Fair Value Profit/Loss Accounting**: The new Fair Value Profit/Loss Accounting UI enables you to compute the Profit and Loss (Gain/Loss) of Fair Value on two specific dates (**From** date and **To** date).

- **Fair Value Valuation on Multiple Legal Entities**: Valuation Runs for Fair Value are executed on multiple legal entities as selected through Fair Value Run definition UI. This is observable more prominently for Level 3 Runs.

- **Offline (Command Line) Object Migration**: This feature enables you to migrate Fair Value definitions, Fair Value Run definitions, Profit and Loss Accounting definitions, Dimensions, and associated Batches.

- **Legal Entity Search Criteria**: This feature ensures that Legal Entity selection is a part of the search criteria and Hedged Items and Hedging Instruments belong to the same entity or corresponding children.

- **Risk Type Validation**: Includes validation for Risk Type in Hedging Instrument selection. This prevents the selection of multiple Risk Types for an Instrument Type.

- **Add Time Value and Intrinsic Value Task**: This feature enables a task to be added in a Run for all available Fair Value Run Batches, having one of the Instrument Type as Options. This way, when you execute a Fair Value Run Batch, containing one Instrument Type as Options, the task for Time Value and Intrinsic Value is made available without resaving the definition.

- **Time Value of Options**: Hedge Effectiveness Testing UI is integrated with an option to choose between Intrinsic Value and Fair Value of Accounts/Instruments while opting for Retrospective Measurement Methodology. This feature is only available for Options Instrument Type.

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3   Limitations and Known Issues

This section lists the limitations and known issues present in this release of OFS Financial Accounting and Reporting Standards (IFRS and CECL).

3.1   Limitations and Known Issues of LLFP and HM

3.1.1   LLFP

Component	Sub Component	Bug No	Subject/Description
Analytics - Reporting and Dash		26575126	ALLOWANCE & PROVISION REPORT-FORMULA FOR %VOLUME VARIANCE TO BE UPDATED
		25588857	TREND ANALYSIS REPORT SHOULD PICK UP PREVIOUS FIC_MIS_DATE IRRESPECTIVE OF FREQ

3.1.2   HM

Component	Sub Component	Bug No	Subject/Description
User Interface		26594450	HEDGE EFFECTIVENESS TEST GIVES ERROR 20060 ON EXECUTION

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4 Oracle Financial Services Advanced Analytical Applications Infrastructure (OFS AAAI) 8.0.5.0.0

To know about the enhancements in Oracle Financial Services Advanced Analytical Applications Infrastructure - Application Pack v8.0.0.0.0 Minor Release #5 (8.0.5.0.0), see OFS Advanced Analytical Applications Infrastructure (OFS AAAI) Application Pack Readme in Oracle Help Center Documentation Library.

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5 Hardware/Software Tech Stack Details

The hardware/software combinations required for OFS AAI/AAAI 8.0.5.0.0 are available at Oracle Help Center Tech Stack.

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6 Information of Third Party Software Tools Used

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Version 2.0, January 2004

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