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High Data Quality Ensures Higher Liquidity

Insurers are in harder competition as ever before. The ability to create competitive advantage is not only sought within the fields of marketing, sales, and product development but also in risk management. It is the quality of the methods und IT tools that decides on the competitiveness

of a financial institute. Furthermore, maximum transparency of the risks is the prerequisite for an optimal calculation of the mandatory capital backing.

High quality data is the basis for being a successful risk manager. They need data on the customers' history, creditworthiness, and social demographic background, data on market development, and on operational framework requirements. This data stems from operational applications of the bank from where they are transmitted to reporting systems. This change of systems is a very vulnerable point for high quality necessarily reproduced correctly in the reporting system. Furthermore, the various operational solutions might work with different formats and definitions. Inconsistencies are therefore a prevalent phenomenon. The cause of this inconsistency is trivial, yet the outcome might be severe, i.e. when the same customer group is coded differently within different systems.

Poor data is the result of the system changes which can have an enormous influence on the amount of required backing capital and on the degree of liquidity. How can banks discover and avoid inconsistencies, errors and contradictions within their data in order to manage risk better, deposit the correct amount of

backing capital, and in order to increase their liquidity? IT solutions are the adequate tool in order to ensure data quality.

The market for Business Intelligence solutions is fragmented and vast. As not only technical features, but also a software's positive financial impact decide on its being advantageous, it has become more difficult to decide which IT solution might be best. Solution Matrix, a consulting firm that is specialized on cost benefit analysis, has experience with various IT solutions of various software providers by evaluating their costs, benefits and risks. Considering the comprehensiveness of the solution is essential for a meaningful evaluation. Value-based management of a bank requires an IT solution with the following components: A ETL-tool that accesses the operational systems and combines different reporting systems, a bank-specific data model that depicts entities for all asset classes (firm and consumer credits, bonds etc.); an instrument for data cleansing, a tool for a Monte-Carlo-Simulation in order to prognose the influence of higher data quality onto the bank's results, and a management dashboard in order to illustrate/present the data. The Business Intelligence Solution of SAS showed the highest ROI. SAS is the only software provider that offers all necessary components. That allows SAS to ensure a fine tuning of all components so that wrong data is not transmitted, but repaired instead. Duplicates and wrong data are deleted, redundancies eliminated and various illustrations of similar information standardized.

Only who is capable of calculating the risk exposition of each customer and each product exactly, comprehensible and credible is able to make the right decisions in credit approvals, risk mix, and interest rates.



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