

Tier-1 bank

CHALLENGES

For the Transaction Banking line of business, each domestic market worldwide operated deposit pricing independently, with limited ability for regional or global oversight.

Amidst a backdrop of intensifying regulatory scrutiny on deposit pricing, the bank had no means by which to observe and align local market practices with global strategy, resulting in conduct risk exposure, sub-optimal balance sheet utilization and P&L volatility.

In addition, an inability to create lead and lag strategies meant that responses to market movements were reactive, creating adverse funding implications and constraining Net Interest Margins.

OBJECTIVES

- Maintain a strategic focus on growing “sticky” core deposits.
- Differentiate pricing for operational and non-operational deposits.
- Better manage and monitor conduct risk, liquidity and profitability.
- Substantiate fair and transparent outcomes to clients and regulators.

5 months

Initial implementation

98%

Of the Transaction Banking global balance sheet priced by Zafin’s platform

150

Employees to manage global deposit pricing reduced to 3

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SOLUTION

To help streamline interest rate management, the bank deployed Zafin's platform as the system of record for all wholesale deposit rates bases worldwide. The platform operates as an external supplement to existing core banking and other related systems, enabling the bank with automated and scalable algorithmic rate determination capabilities.

$$\text{Bid/offer rate +/- Client margin offset} = \text{Client deposit rate}$$

Senior liquidity product managers configure and administer rate bases algorithms in the Zafin user interface based on a number of attributes, including base rates, market and currency-specific adjustments, trigger conditions and tolerance conditions.

The platform calculates client margin offsets (rate adjustments), based on attributes such as product, client, sector, segment, channel, risk and more. The platform then calculates client deposit rates for all currencies and sends an output file to each of the domestic core banking systems. These client deposit rates are consumed by the core banking systems, which in turn calculate the interest expense and post to the bank's general ledger.

Zafin helps the bank identify existing clients with a high level of stable operating balances and offers preferred pricing for both the transactions (reduced rates) and the operating deposits (yields).

Interest margin expectations are dynamic fed into financial planning systems, allowing instantaneous P&L re-forecasting based on external market movements.

BUSINESS OUTCOMES

- Pricing 98% of the Transaction Banking balance sheet globally
- Mitigate conduct risk by centralizing and automating deposit pricing
- Provide relevant reporting to regulatory authorities to substantiate pricing
- A key contributing factor to meeting Basel III liquidity requirements, including driving deposits that are beneficial from an LCR/NSFR perspective
- Reduce the number of employees required to manage global deposit pricing from 150 to 3, allowing the bank to redeploy those resources to value-added tasks
- Support easier modelling and forecasting of Net Interest Income
- Enable a predictable and sustainable response to market movements

Ready to learn more? Visit www.zafin.com.