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Real results from real-time reporting

Mika Mustakallio, CEO, MORS Software, explains how technology can enable both compliance with regulatory demands for intra-day liquidity reporting and also improve a bank's bottom line.

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What are the benefits of real time reporting for treasurers?

The benefit for treasury of real-time reporting is that it has a better grip on what kind of commitments a bank has.

Liquidity coverage ratio requirements mean banks have to hold buffer items – valuable items that in a storm they can sell or repo in return for cash. However, holding money with a central bank, for instance, does not earn a bank a decent return. So the bigger the buffer a bank holds, the more it presses on an organisation's P&L.

While some commitments of a bank such as mortgage loans and customer accounts tend to be fairly stable, the buffer book, which may be in treasury's hands or in part of the trading operation can be volatile. That is where real-time reporting is important – you need to know during the day who did what, especially at larger banks with more complex operations.

If you do not have the real-time picture, you have to increase the safety levels and the buffers in order to ensure you can meet your obligations. The bigger the cushion you have the bigger the cost is. But if you have a grip on what is on there, you really save money.

How does the approach improve a treasurer's ability to steer the entire balance sheet over a long-term horizon?

A real-time approach allows treasurers to see the commitments of a bank over different time horizons, allowing them to build funding bridges that enable them to optimise balance sheet usage.

One interesting shift we see is the opening of the time gates as far as treasury is concerned. In the past, treasury looked after short-term cash, taking funds from the market when needed. That model does not work anymore, which is why treasury is more and more interested in what long-term commitments a bank has. That drives treasury and longer-term asset and liability management closer together.

Treasury no longer operates in the short-term world, because the better you can see further into the future, the more problems you can solve ahead of time. Knowing everything in real-time gives you a better long-term view. Treasury has a more important role in asset and liability committees, and decision making becomes more dynamic with real-time reporting.

How does real-time reporting help treasurers meet new regulatory obligations?

Regulators are concerned with the timeliness and accuracy of data. Those things that can be reported in real time should be. Real-time systems allow banks to report complete data to regulators. They also have the adjustability to be able to present data to regulators in different formats to reflect differences between the requirements in different jurisdictions.

Because of improved technology, banks are increasingly able to meet the demands laid out by different regulators. The data that banks are able to produce are finally starting to come closer to the desires of regulators to monitor intra-day risk, and it is finally possible to report in meaningful way.

How is stress testing and scenario analysis improved through a real-time approach?

Regulators demand more and more that banks report operative real figures, not only accounted or reconciled figures. Banks need to report the figures with which they really operate their business. From that point of view, risk management, steering, forecasting and scenario simulation should all come closer.

Real-time systems allow banks to look at meaningful data in a multidimensional, holistic way. Technology has enabled decision making to become more dynamic, with real-time engines allowing banks to simulate and see the effects of their actions at any time point. The whole of bank's book is now alive across the whole of the time horizon.

It is now possible to see a bank's real commitments and "what-ifs" in real time. That means they can optimise the decision making and maximise returns all the time.

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