

# Risk

## Technology Awards

### 2018 Winner

# MORS Software

## ALM system of the year

MORS Software offers a comprehensive asset-liability management (ALM) system that is scalable and user-friendly. Designed for ease of use and cost-efficiency – with a high level of automation with low maintenance – the system offers flexibility of configuration and reporting. A single core system supports a set of functional modules, such as balance-sheet management, liquidity risk management, funds transfer pricing and counterparty credit risk, to which users subscribe to meet their individual requirements.

Data management and reconciliation are largely automated. Rather than importing an entire balance sheet at once, MORS imports data changes as they occur. For wholesale banking transactions, such as wholesale funding deals, balance-sheet items are imported in real time to have a material effect on the calculation results of key performance indicators, such as net interest income. Banking book transactions are typically imported once or twice per day. Splitting the import and frequency of data in this way avoids load bottlenecks.

MORS' real-time capabilities enable users to meet internal and regulator needs for *ad hoc* and instant what-if calculations. It also means the system can offer real-time monitoring and management of limit and early-warning levels, typically for interest rate risk and liquidity risk management ratios. To meet increasing demand for internal and external regulatory reporting, MORS' offering includes rule engines, with which banks can define rules for new regulatory requirements and then run reports based on them without the need to upgrade the MORS software. The same rule engines are used for defining internal reporting requirements and configuring calculations.

MORS recently added its Interest Rate Risk Scenario Engine, which makes it easier and faster for banks to perform sophisticated and demanding ALM calculations, including income-based calculations such as earnings-at-risk, and value-based calculations such as economic value of equity. The engine enables banks to perform dynamic balance-sheet projections, including dynamic balance-sheet growth scenarios. MORS also recently introduced advanced parallel processing capabilities and the option to deploy on Microsoft's Azure cloud.

Mika Mustakallio, chief executive of MORS Software, says: "MORS Software is a leading Nordic solution provider for treasury management, liquidity risk management and ALM in banks. MORS Software meets clients' ALM needs and requirements by providing a contemporary and user-friendly solution. MORS scales from fulfilling specific ALM needs of Tier 1 banks to the integrated treasury and ALM requirements of smaller banks. Banks' focus on total cost of ownership means they are increasingly looking to maximise the benefit from any system. This is when the value of MORS is fully realised, with its integrated treasury and ALM system able to cover multiple risks." ■

## Judges' comments

"A scalable and modular solution with a new cloud option"

"Value for money without compromising on functionality and use of latest technology, such as real-time analytics and machine learning. Happy users"

"Well thought-out system with a clear focus"



Niklas Fellman (left) and Peter Serlachius

## **MORS Software**

**MORS Software** has clinched the award for ALM system of the year following a recent move to the cloud and maintaining focus on offering clients capabilities for real-time monitoring. Chief executive Mika Mustakallio elucidates the important trends and technological offerings that the vendor sees as driving change

### **What market trends are driving change in the asset-liability management (ALM) space?**

**Mika Mustakallio:** One important factor currently driving change is the focus on user-friendly and agile systems. Users do not have time to constantly make software upgrades and enhancements, and they need the ability to make changes to an ALM system. A lack of flexibility in a system can hinder firms' responses to *ad hoc* queries and abilities to meet changing requirements. It is increasingly recognised that ALM practitioners will one day need the ability to calculate five different rules instead of four, for example, which is what MORS offers. MORS includes rule engines that allow banks to define expected customer behaviour for new internal and regulatory scenarios, and then run reports based on the new rules without the need to upgrade the software.

### **Why is the capability of performing these calculations in real time increasingly important?**

**Mika Mustakallio:** The move to real time in the ALM space is linked to organisational changes in financial services in the past 10 years – mainly the combination of ALM and treasury departments. Previously, ALM and treasury were split into two different departments, with one looking at quarterly data and long-term plans, and the other focusing on more regular updates. The differences meant the two departments were typically kept separate.

MORS started with a real-time treasury system, and has the same focus on real time for the ALM side. The ability to monitor everything in real time makes firms more agile, and from a risk management perspective it is crucial considering the loss of revenue-generating opportunities associated with holding unnecessarily high buffers. By actively managing risk in real time, firms can make better-informed decisions.

### **How is technology affecting ALM offerings?**

**Mika Mustakallio:** With current demand for more frequent reporting and risk management, focus is increasingly on how systems can handle different scenarios and models in real time. MORS uses in-memory analytics scenarios, which means raw material is first taken into the system, and the information is upgraded with the latest data. That material can be used in the memory of the system instead of copying, which makes it fast and enables real-time monitoring. Given that the internal needs of regulators and banks now increasingly demand *ad hoc* and instant what-if calculations, real-time information is a major advantage for MORS.

The other overriding trend affecting the space from a technology perspective is the move to the cloud. Nowadays, consumer electronics being in the cloud is commonplace, and the financial services industry is moving in the same direction.

Some smaller firms want to avoid hardware installations, instead accessing software in the cloud and paying for it as a service. Following recent investments in cloud services, firms can now choose to run MORS in Microsoft



Mika Mustakallio, chief executive, MORS Software

Azure, a cloud computing service. Regional financial institutions without ALM departments, for example, may be monitoring figures once a week and, in these scenarios, the cloud offering is seen as a cost-efficient way to access the system. MORS' partners will also be able to offer ALM as a service after its introduction of cloud services, and earlier this year a partner in Canada became the first to do so.

### **What trends will be important for the ALM market in the coming years?**

**Mika Mustakallio:** Since banks have been merging their treasury and ALM departments, they have seen a change in decision-making within them, which some banks now even refer to as 'TALM'. Instead of having different systems in silos, there is a move towards having a single system for treasury, ALM and the middle office. There are significant benefits for firms from processing and monitoring every transaction in one system – in terms of cost-efficiency, transparency and risk management. Firms are now prioritising systems that centralise data and ensure that everyone is looking at the same data.

In addition, it is important for firms to give users control, enabling them to respond to changing requirements in a timely manner. Regulatory change continues to be one of the hurdles firms need to overcome and, in the past year, MORS launched its Interest Rate Risk Scenario Engine, which is now a key part of the MORS Balance Sheet Manager. The user interface has been developed to include an interest rate risk rule engine, which provides a user-friendly interface for end-users to set up calculation rules and scenarios on expected customer behaviours. ■