

Performance Management for Investment Banks

Managing risk, understanding customers, and lowering costs with Cognos

Getting a true picture of performance and profitability has been a real challenge for investment banks. A broad universe of financial instruments, trading strategies, counterparties, geographies, partners such as clearing and settlement agencies, and an increasingly savvy customer base have created complex instructions and a demanding environment for trades. The front office incentives emphasize commission revenue but the sell side has limited insight into the profitability of customers and specific types of instructions or trades.

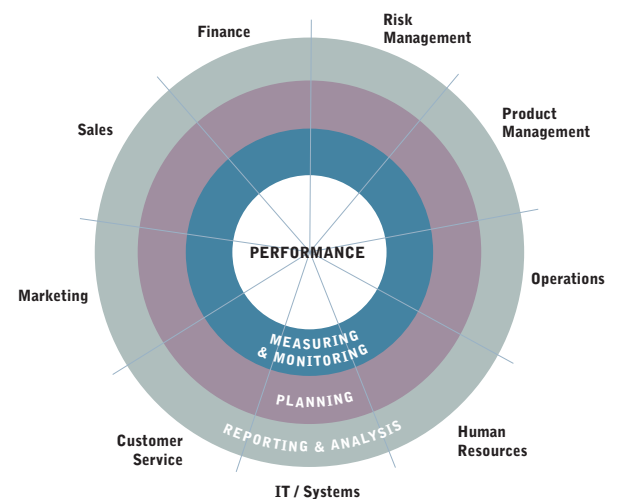
The result is limited insight into which of the bank's customers are centrally important to keep, and which business should be re-priced for which customers. Equally important is determining who are the best performing bankers and teams—is success measured on volume of trades or value of business generated? Are the teams performing well because of their own abilities or is it the quality of the customer base, asset class, or geography?

This complexity has added substantial cost for investment banks. Indirect costs across the back office for settlement, financing, legal, research, and trade processing have slowly escalated. Failed trades, particularly ones requiring manual intervention, have generated unexpected costs due to longer settling times and the need for additional financing. Investment banks need to understand concentrations of these inefficiencies by customer, instrument, region and geography, legal entity, trader, asset class, third party broker, and more.

And, with regulations, bank failures, high-profile loss provisions, and tighter internal controls, risk management has come fully into focus. Risk profiles change over time and, by definition, are concentrated in multiple dimensions (customer, product, risk class, region, legal entity, and risk rating) and multiple appropriate measures. Investment banks need consistent, timely, and repeatable access to risk insight, risk control, and risk optimization that they can share with management, risk and finance specialists, stakeholders, and the front office. With all these challenges, investment banks are increasingly turning to Cognos, an IBM company, for help.

The IBM Cognos solution

Cognos is the world leader in business intelligence (BI) and performance management solutions. We provide world-class enterprise BI, planning and consolidation software and services to help companies plan, understand, and manage financial and operational performance. Performance management rests on interlinked capabilities that let you drive, monitor, and understand your performance in a continuous, closed-loop environment.



IBM Cognos 8 Planning and Business Intelligence provide a unified platform for:

- Measuring and monitoring performance with scorecards and dashboards that track your key metrics.
- Reporting and analysis that lets you see data, gain context, understand trends, and spot anomalies.
- Planning, budgets, and forecasts that allow you to set and share a reliable view of the future.

With these core capabilities, we enable investment banks to answer the following key questions:

- How are we doing?
- Why are we on or off track?
- What should we do about it?

With Cognos, investment banks get:

- A single view of the customer for service, sales, or risk purposes.
- An integrated risk management capability.
- A single view of business performance.

Major benefits of performance management

Within the complex investment banking environment, companies can achieve:

Deep customer insight

Integrating your customer information can fuel your financial institution's growth. By leveraging Cognos to create a single customer view, your financial institution can enhance analysis and planning, and improve the development and deployment of cross-sell and retention propositions. Cognos also can help you accurately measure the effectiveness of marketing, sales and service strategies.

With Cognos, you can create a smarter financial institution—one that:

- Develops appropriate products and service propositions by segmenting and analyzing customer value.
- Responds to customer needs by providing the best resources and responses to representatives.
- Builds virtual real-time and historic single customer and business views to empower enterprise integration.
- Monitors and reports on sales and margin performance by customer, product line, region, or division.
- Develops financial metrics to track costs, losses, and risk-based returns; or customer loyalty and margin metrics (products sold, revenue, customer risk, and more).
- Creates a customer-centric view and client-level plans that incorporate the full scope of a customer's relationship, including cash management accounts, investment accounts, loans, and leases.
- Understands and better competes in new global markets.

A more efficient operating environment

With Cognos, investment banks are realizing substantial ROI through:

- Identifying, reporting on, and analyzing bottlenecks and cost excesses throughout trade execution—from the dealing room to settlement and allocation.
- Improving efficiency of front, middle, and back-office functions by monitoring processes by trade type, instrument, market, and asset classes.

- Allowing the organization to take the efficiency lessons learned into new markets.
- Managing trade performance and total cost of trade more accurately.
- Providing the tools to demonstrate your execution capability to your clients in a dynamic and highly secure manner.
- Quantifying the effectiveness of brokers, asset managers, partners, and brokerage services.
- Seeing the big picture fast, by bringing together the relationships, connections, direction, and details needed to make informed decisions and improve operating performance.

A world-class risk platform

Financial institutions need enterprise-class solutions and standards to help define and enforce corporate policies, manage risk, enable regulatory compliance, and improve business performance. These systems must provide access to information for collaboration and decision-making within a secure environment. Cognos governance, risk management, and compliance solutions are designed to enable secure information sharing, enhance risk awareness, enable policies and procedures, apply controls wisely, and more easily demonstrate outcomes. In this way, you can cost-effectively meet Basel II, Sarbanes-Oxley, and other regulatory requirements and achieve business performance objectives through acquisitions and other growth initiatives.

Cognos can help your institution develop corporate policies, programs, and systems that allow you to:

- Create, implement, and manage a process for managing governance, risk, and compliance.
- Monitor and assess business processes against objectives to enhance business value.
- Manage enterprise information to protect privacy, and meet retention, ready-retrieval, and other compliance requirements.
- Manage risk across the organization to deliver enterprise risk reporting to support a broad range of reporting requirements from a central, consistent source.
- Undertake “what-if” analysis to identify the best use of capital, both on the basis of product and customer profitability and in the wider context of the customer relationship across the business as a whole.
- Implement best practices for fraud identification, asset liability management, rapid depreciation detection, and a host of other risk factors.

- Analyze enterprise risk patterns, model risk events, and proactively alert managers and senior executives to pre-determined risk events or breaches.
- Respond to external key influencers, such as rating agencies and supervisors, to ensure a lower cost of capital.
- Provide clear insight across many types of risk, including credit, operational, interest rate, liquidity, price, compliance, foreign exchange, reputational, country, management risk, and more.

And, with solutions like the IBM Risk Cockpit and the IBM Cognos Risk-Adjusted Profitability Performance Blueprint, financial institutions can integrate risk information with an enterprise-wide, distributed profitability management process.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit <http://www.cognos.com>.

More than 3,500 financial services firms have selected Cognos software to increase customer, product, and channel profitability; manage and reduce risk; address compliance issues; and improve the predictability of financial performance. Among them are:

- Nine of the top 10 banks in Europe.
- All the top 10 banks in the U.S.
- Six of the top 10 Asian banks.
- All of the top 10 Chinese banks.
- The top four Japanese banks.
- The top four South African banks.
- All of the world's top 10 investment banks.

For more Information

For more information on Cognos solutions for financial services companies, please visit www.cognos.com/banking

Request a Call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.