Case Study

Funds Transfer Pricing Transformation

Large Retail, Corporate and Investment Bank

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Solution

- *An automated FTP scenario forecasting tool built on a unified and controlled data solution*
- *A dynamic and integrated reporting solution for granular analysis of FTP forecasting*
- *A comprehensive review of legacy FTP models including existing methodology, functionality, data, and reporting*
- *Alignment of FTP methodology and data across all subsidiaries and business units*

Insights

- *FTP must be supported by sound data modelling principles to ensure effective forecasting and eliminate manual intervention.*
- *A robust data model is also crucial for facilitating methodology modifications and calibrations, while guaranteeing data consistency for all business units using the system.*

Skill Sets

- *FTP Methodology*
- *Scenario Forecasting*
- *Dynamic Dashboarding*
- *Data Management*
- *Data Governance*
- *Treasury Data Architecture*

Banking Area

- *Treasury Capital Management*
- *Asset Liability Management*
- *Funds Transfer Pricing*
- *Subsidiary Business Units*

Funds Transfer Pricing (FTP) sits at the heart of a bank's internal funding mechanics. Dynamic and timely FTP forecasts are critical to capturing price opportunities and empowering business units with powerful financial insights to support decision making.

A significant challenge, especially for large, multinational banks, is the lack of robust systems to facilitate complex FTP forecasting scenarios. Our client faced precisely this issue: struggling with system requirements for easily calibrating and comparing scenarios across their various countries of operation.

Funds Transfer Pricing Transformation

Monocle partnered with the Group Treasury team of a large multinational retail, corporate and investment bank to rebuild its FTP modelling from the ground up. Acting as both data-modelling specialists and feature analysts, we designed, built, tested and assisted in deploying an enterprise solution covering:

- **Model clarity & enhancement:** Reverse-engineered legacy spreadsheets and rebuilt the logic on best practice data-modelling principles.
- **Advanced forecasting:** Delivered a forecasting engine capable of granular, side-by-side scenario analysis. Enhanced levers available to the ALCO to modify FTP rates for strategic planning.
- **Automated reporting:** Produced dynamic dashboards and reports giving Group and in-country teams a single source of truth.
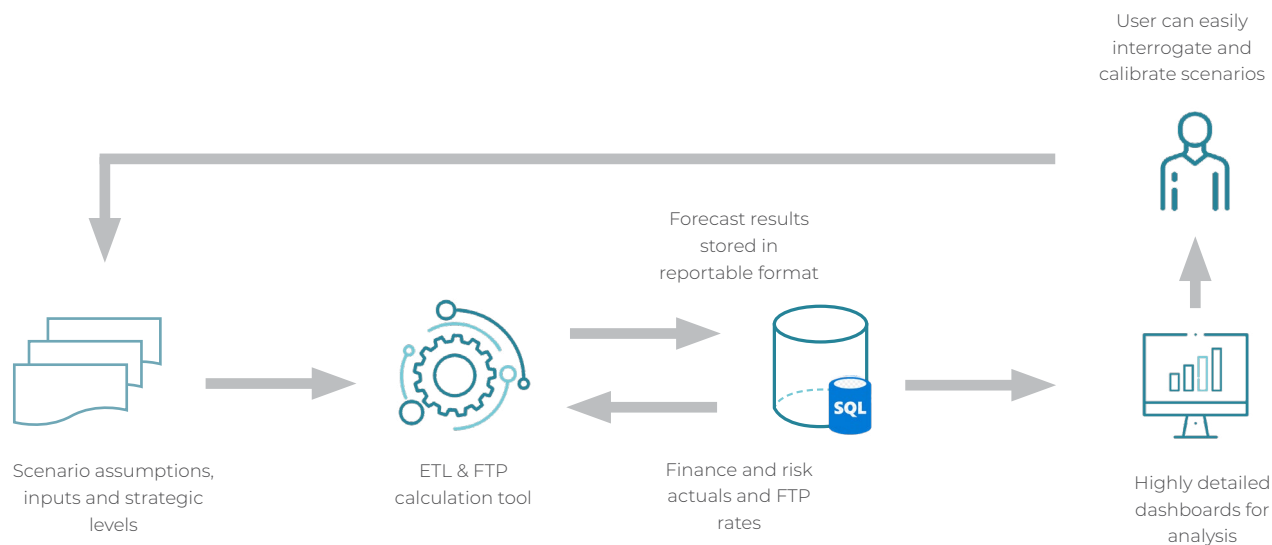
Monocle was able to deliver an end-to-end solution 100 times faster than the legacy solution, reducing the forecast processing time from 2 hours to 1 minute.

Monocle's Approach

Monocle's approach began with a deep dive into the intricacies of the client's existing models to fully comprehend the operational mechanics and scenario comparison methodologies. Part of the review focused on reducing the current method's heavy reliance on Excel and manual processing.

Following the review, Monocle led a complete rebuild of the FTP forecasting solution, starting with a proof-of-concept prototype using the client's structured ETL and calculation tool into a SQL data mart, proving multi-scenario capability and reducing required resources. From there, Monocle was able to drive out the completion of automated reporting and Group-wide Forecasting.

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High-Level FTP Solution

User can easily interrogate and calibrate scenarios

Forecast results stored in reportable format

SQL

Scenario assumptions, inputs and strategic levels

ETL & FTP calculation tool

Finance and risk actuals and FTP rates

Highly detailed dashboards for analysis

Tangible Benefits

Ultimately, the solution enabled the client to calibrate their funding decisions significantly faster, with enhanced accuracy, as well as facilitate clearer communication with business units and Treasury stakeholders. The solution enabled these teams to perform more granular analysis than ever before.

Monocle was able to reduce the original Excel solution of over 100 worksheets into a simplified solution of comparatively 4 sheets. This greatly reduced complexity, manual processing and errors.

Furthermore, the newly implemented solution serves as a centralised repository for all calculation logic and data across their subsidiary banks, simplifying the rollout of future policy changes or the integration of new variables.

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We manifest *change*