S.sas

Current Expected Credit Loss (CECL) Process Optimization

"If the CECL model is implemented properly, the data it uses could assist banks in better pricing loans and prepurchase assessments of investments. It could also lead to improved credit risk management and transparency to investors."

Thomas J. Curry
Former Comptroller of the Currency, US Treasury Department

The Issue

With growing economic uncertainty and an onslaught of regulations, financial institutions face enormous challenges today. While firms have responded by strengthening their balance sheets, most continue to strain under increasing regulatory and business demands.

Consider the new US accounting standard for loss reserving: Current Expected Credit Loss (CECL). It greatly increases the complexity of the allowance estimation process, as it requires much more data than past practices. In addition, data is typically fragmented and of varying availability and quality.

Compliance with CECL is no small task, partly because the standards are new and implementation specifics continue to evolve. Regardless of how they are interpreted, compliance requires integrating risk and finance; building, testing, and managing new models; and managing complex data and model risk.

What's needed is a robust, transparent and sustainable CECL process that can be implemented quickly and easily adapted to changing interpretations over time.

The Challenge

- **Managing regulatory burdens.** Modeling assumptions and limitations must be well understood and documented – no small task as more models are deployed. SAS® centralizes and simplifies model management.

- **Preparing for CECL impacts.** CECL will increase loss reserve requirements and volatility, so you'll need to proactively manage balance sheets. SAS reduces overall cycle times so you can iterate over multiple scenarios and business assumptions.

- **Interpreting and explaining results.** Stakeholders now demand clear and concise information to support reserve estimates. SAS provides full transparency into calculations and powerful visualizations to summarize and explain the results.

- **Remaining nimble.** In a volatile environment, banks need fast analytics to support strategic decisions. SAS scales to provide rapid analysis of even the largest data sets.

- **Responding to change.** Institutions need a solution that can adapt to changing CECL interpretations and evolving business requirements. SAS can adapt and scale as needs change.

Our Approach

What's needed is a CECL-compliant process running on an analytics platform that supports other risk processes. We approach this problem by providing software and services to help you:

- **Centrally orchestrate workflows:** Capture data, execute models, and consolidate and report results in a well-controlled environment.
- **Create models and run scenario- and simulation-based analyses:** Use prebuilt models ranging from roll rate models to Monte Carlo state transition models or create your own using a simplified user interface.
- **Deploy existing models:** Use an open implementation platform to manage and deploy proprietary models, whether coded in SAS or other languages.
- **Streamline management of complex, granular models:** Use a model implementation platform to manage models and optimize their performance. A centralized library supports versioning, promotes sharing of best practices and reduces model risk.
- **Process large data sets in near-real time:** Harness the power of distributed, in-memory processing. Perform on-the-fly aggregations and drill downs of results.
- **Adapt over time:** Add new functionality as needs and regulations change.

The SAS® Difference

With SAS, you can deploy a robust, transparent, sustainable CECL process that scales with your business, adapts to changing regulatory interpretations and delivers:

- **A flexible environment:** Adapt to institution-specific workflows and incorporate existing models, regardless of the platform.
- **Efficient CECL implementations:** Efficiently implement a robust, sustainable production process.
- **Improved execution with high-performance analytics:** Rapidly execute complex, granular models of large data sets and run quick, on-the-fly aggregations and drill downs., shortening implementation time and production cycles.
- **Freedom to use in-house capabilities:** Incorporate models built in Base SAS, Python or R into an efficient, controlled execution environment. Accelerate their performance with distributed processing.
- **Better coordination and control:** Use a single, integrated, controlled system to manage data and model inventories, execute models and prepare journals for accounting.
- **Platform flexibility:** Support CECL and regulatory stress testing workflows in a single framework to operate more efficiently while reducing implementation and execution risks.
- **Streamlined model development:** Accelerate model development and enable end-to-end life cycle management for your entire model inventory.

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