

Consolidate commodity credit exposure data to rapidly generate risk metrics and credit scores



Business Impact

Most industry leaders agree that a modern credit risk solution must enable a complete data management and analytical platform to manage counterparties, netting, collateral, margining, assessments, scoring and limits.

The Issue

Credit risk is a central pillar of a risk management practice. But during periods of economic turbulence, measuring and monitoring your counterparty's creditworthiness gains new importance. For instance, a continued low commodity price environment strains suppliers' ability to produce at a financially viable price. This, in turn, creates uncertainty downstream about their ability to deliver on contracts. The insecurity ripples through the complex web of forward contracts, letters of credit and other arrangements necessary to trade and transport physical commodities in the multibillion-dollar global energy market.

Challenges

- **Integration and standardization.** Without a centralized platform and standardized data formats, it's hard to get a consolidated view of credit exposure.
- **Real-time credit metrics.** The inability to generate answers to pressing questions with speed and precision hampers responsiveness to changing market conditions.
- **Dynamic credit scoring.** Reliance on credit rating agency data causes delays in revising creditworthiness when new counterparty information becomes available.
- **Responding to crisis.** Without modernized systems, credit managers struggle to quickly and accurately capture the impact of potential default on the complex web of contracts among companies.

Many organizations rely on a collection of ad hoc data management and analysis tools to determine credit risk metrics. These error-prone, poorly integrated tools could hinder you from producing credit decisions quickly enough to respond to counterparty issues or take advantage of market conditions. They may omit key factors that would give credit risk managers more confidence in their analyses, such as credit scoring. Your tools should enable you to measure credit risk accurately and holistically - taking into account multiple trading systems, markets, geographies and a host of other factors.

Our Approach

By aggregating credit risk data and running real-time models, companies can accurately measure risk and take decisive, timely action. We deliver software and services to help you:

- **Identify high-risk counterparties rapidly** and continuously update their creditworthiness as key factors change.
- **Quantify an immediate consolidated exposure** by compiling data from all sources and generating true enterprise-level credit risk metrics.
- **Generate dynamic credit scores in-house** without waiting for rating agency updates.
- **Monitor margin call probabilities** as commodity prices and counterparty risk metrics change.

Commodity credit risk solutions from SAS are based on our trusted data integration and advanced analytics technologies to provide a clear view of your credit risk exposures.

Reliable credit risk metrics when you need them

Providing a new level of analytics prowess in counterparty credit risk management, SAS helps you react promptly to anticipated risks. Use SAS to:

- **Produce credit risk metrics** such as credit value at risk (CVaR), cash flow at risk (CFaR) and potential future exposure (PFE), and run scenario analysis in a centralized environment.
- **Improve the accuracy of counterparty financial assessments and credit forecasts** to quantify the probability of default as the market shifts.
- **Use preconfigured credit scoring models** fed by standardized inputs while retaining the ability to customize models on an as-needed basis.
- **Visualize relevant credit risk outlooks quickly** to enable confident business decisions on the fly.
- **Generate net exposure** to the counterparty and monitor credit limits at the trader, portfolio and enterprise levels.
- **Preserve a full audit history** of credit reviews and approvals.
- **Layer SAS on top of existing technology** to aggregate and perform advanced analytics on all of your data.

With SAS, you can capture credit and collateral data in a consolidated view, run the required analytics, generate reliable credit scores and make fast, informed credit risk decisions.

A large North American oil and gas pipeline company

Situation

The pipeline firm needed to measure and monitor its counterparty credit exposures after the oil price downturn triggered a record number of bankruptcies among producers. Previously, the company had conducted counterparty assessments in spreadsheets – but that limited its ability to generate net credit exposures and produce results quickly.

Solution

A credit risk solution from SAS enabled the company to:

- Visualize real-time, aggregated credit exposures via an interactive interface.
- Follow a standardized credit assessment process, including trend analytics and a full audit history.
- Use standardized credit scoring models, including multiple scoring models for a range of industry groups.

Results

Using data aggregation and analytics on an integrated credit risk platform from SAS, the company can now respond to rapid changes across multiple counterparties. It generates dynamic credit scores to use in scenario analysis, including small-cap and privately held companies not covered by rating agencies. It also consolidates data to produce quantifiable credit exposures, including the firm's net credit exposure.

Modernize data access

What if you could automate access to standard, trusted data – minimizing manual processes and improving quality and timeliness?

Stay abreast of trading events

What if you could keep pace with trading events and counterparty default by automatically managing credit limits, responding to margin calls and running scenario analysis while the markets are open?

Capture net credit risk

What if you could generate more accurate credit risk metrics and determine net credit exposure using integrated data management and analytics?

You can. SAS gives you **THE POWER TO KNOW®**.

SAS Facts

- SAS consistently ranks among the market leaders in analyst surveys of energy risk solution providers.
- SAS serves more than 560 energy customers worldwide, including all six supermajors and 160 North American investor-owned utilities.
- SAS helps customers at more than 80,000 sites improve performance and deliver value by making better decisions faster.

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