

Factsheet — Finastra Summit

Operating a development bank in an unpredictable economic environment

Traditional siloed IT systems used by many development banks do not support their need to improve transparency and trade more sophisticated financial products. These products are used to hedge and fund large portfolios.

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For the past couple of decades, the arbitrage position of AAA development banks has been eroded by ultra-low interest rates globally. That has placed institutions and their IT functions under increased pressure to cut costs or to cover more ground with the same budget.

Development banks fund infrastructure, community, or agricultural projects by using government grants or market funding.

Development banks provide funds to new and promising companies as well as infrastructure projects, which must increasingly support the environmental, social and governance (ESG) agenda.

As large bond issuers they benefit from high credit ratings from government or supranational status and need to have access to complex derivatives to hedge their risks.

McKinsey Digital

Challenges faced by development banks

The challenge faced by development banks is that they usually have limited capabilities to trade sophisticated products, which can impact their hedging activities and result in profit leaks on their portfolios.

In the worst scenarios, when development banks cannot properly manage trading lifecycle, risk, and workflow, they suffer from governmental and reputational damage.

While they are usually exempted from regulations, they are obliged to take a proactive approach to show they are managing their investments and risks carefully.

This includes managing the guidelines and prospectuses received from the central bank, demonstrating transparency, and managing excess cash effectively.

Meeting these needs has become increasingly challenging due to siloed IT systems, while multiple sources of information cause complexity in processes, which lowers efficiency and productivity.

Summit for development banks

Finastra's Summit is a simple, robust front-to-back treasury solution with additional interconnected services to optimally raise debt and manage risk. It allows development banks to raise funding on the market, including structured notes; hedge the risk on funding and loans books; and manage investment portfolio of excess cash.

Summit allows development banks to drive down operational costs and accurately manage their balance sheets and market risks, helping them to achieve more outcomes with the same resources.

Built to meet the unique needs of multilateral development banks and development banks, Summit is used by 22 organizations including Shanghai Pudong Bank and the European Bank for Reconstruction and Development.

Business as usual is no longer an option for development banks faced with multiple challenges

// *In our experience, development banks that have undergone a digital transformation are perceived more favorably by their governing bodies and beneficiaries. They also have managed to significantly increase their business, while more traditional development banks receive more scrutiny regarding their role, capacity, and effectiveness.*¹

McKinsey Digital

A development bank has three basic choices to make about modernizing its technology platform. It can choose to do nothing, but will need to spend significant time, money, and resources on maintaining its legacy IT. This will also introduce potential risk if the bank is unable to manage government funds transparently.

The second choice is to add on tactical systems to manage different elements of a bank's treasury system. This will only serve to introduce more points of failure and increase the need for manual interventions.

By investing in the Summit robust solution, banks will acquire best-of-breed functionality in a one-stop-shop platform. They will also have tighter control of their costs and have access to a scalable system that is continuously upgraded in line with changing business requirements.

Value added services

By increasing their use of cloud-based services with Summit, development banks can lower their total cost of ownership.

And because Summit is integrated with Finastra's open cloud platform FusionFabric, cloud, banks can choose to extend their treasury capabilities with additional software products:

- Vector Risk provide a full end of day and real time solution for market and credit risk, including value at risk (VaR)
- CloudMargin enable automated, continuously evolving collateral management.
- Regulatory Reporting (deltaconX) is a cloud-based transaction reporting solution that helps firms comply with the latest reporting guidelines
- Straterix is a machine learning solution that automates scenario generation, stress testing and expected credit losses
- Detech provide a dynamic optimization solution for strategic risk management in financial institutions

Overall, the Summit solution enables development banks to adapt, scale and provide a wider scope of sophisticated services and structured products to manage excess cash and balance-sheet risk.

Summit facilitates bonds issuance process, hedging with complex swaps and supporting derivatives front to back, including hedge accounting which allows banks to remove the price volatility from their balance sheet.

Depending on their needs, development banks can choose to run Summit on their in-house infrastructure or private cloud, work with an infrastructure-as-a-service (IaaS) partner or invite a managed services partner (MSP) to assume responsibility for providing a defined set of services around the Summit platform.



1. <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/tech-forward/driving-digital-in-development-banking>

Finastra: Your trusted provider



Widely endorsed by development banks

More than 22 development banks are live on Summit, and we operate across multiple regions. Our solution enables development banks to construct complex deals and manage risks accordingly.



Extensive industry experience

We understand the specific compliance and risk management guidelines for development banks. We help development banks execute quickly on change introduced by new fixed interest products.



Front to back to open

Summit provides smooth processing of complex derivatives. Our pricing models and data are held in the same ecosystem and additional services are available via FusionFabric.cloud.



About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning solutions and services across Lending, Payments, Treasury & Capital Markets and Retail & Digital Banking for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by ~8,600 institutions, including 90 of the world's top 100 banks. For more information, visit finastra.com

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