

Best end-to-end platform for Federal Home Loan Banks with Finastra Summit

“FHLBs have been facing high volumes in Advances due to monetary tightening and high interest rates which increases the spread between funding levels and advances rates”

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Leverage sophisticated trading tools with real-time, business-wide, and cross-system capabilities along true STP with complete integration across the full range of relevant asset classes, while maintaining risk in control.”

The Federal Home Loan Bank System’s (FHLB) primary purpose is to address the critical need for home financing. They play a vital role in revitalizing the housing market by providing a steady stream of funding to mortgage lenders, thereby facilitating homeownership and community investment.

FHLBs pool resources from member financial institutions and offer them low-cost loans (Advances), allowing member banks to extend mortgages to individuals, support affordable housing initiatives, and fund community development projects.

Each FHLB operates as a privately capitalized entity, owned by its member institutions, who must purchase stock in their respective regional FHLB who also provide services like cash management, correspondent banking, and risk management, further bolstering the financial infrastructure.

Main Challenges

FHLBs operate under a cooperative model, serving as wholesale lender to its members. Their primary business model revolves acting mostly as liquidity provider. This, along with all their investment and funding needs, can become a challenge when these processes lack automation.

1. Liquidity Support: understanding inflows and outflows from every cash source is key to an FHLB liquidity providing and funding activities.

2. Mortgage Market Participation: FHLBs actively engage in the mortgage market, therefore coverage of these instruments, along with the right cashflow, pricing and analytics is essential.

3. Hedge Accounting: Regulations like FAS133 pose a complex operative landscape for FHLBs, as they have to ensure risk mitigation and compliance within their hedging programs.

4. Risk Management Services:

Beyond liquidity provision, FHLBs also serve their members with:

- Derivatives to manage interest rate risk effectively.
- Letters of Credit issued to facilitate trade activities among its member banks.
- Custody Services ensuring the safekeeping of financial assets.
- Cash Management, optimizing cash flows and managing liquidity efficiently.

All of these post a significant operational burden inside the FHLBs, along with challenging analytics and decision-making information and data to fulfill its day-to-day activities.

Summit is a proven, award-winning cross-asset solution with presence in multiple Federal Home Loan Banks, and backed by more than 160 of the world's top financial institutions, which rely on Summit to support their end-to-end activities. Our functionally-rich solution for treasury and capital markets supports business growth, improves straight through processing (STP) and shortens time to market while reducing costs.

A powerful and fully integrated end-to-end solution to help Federal Home Loan Banks address today's challenges

Summit is the core platform that enables FHLBs to process and manage all of its assets and liabilities. Furthermore, Summit capabilities for feeding data to Polypath, the world's best operating system to compute MBS/ABS risk analytics, make your workflows seamless.

A robust front office - comprehensive cross asset trading

Summit provides trade capture, pricing, and market risk on a wide range of financial instruments from vanilla asset classes to exotic / hybrid structured products. The list of supported instruments grows with every new release.

Better decisions in real time

Real-time data is key to running an effective and profitable business.

Users can interactively follow real-time positions, market risk and profit & loss; monitor spreads; perform what-if scenarios; and check credit lines and limits.

It also allows users to manage cash positions and track their funding requirements.

Portfolios can be sliced and diced with real-time profit and loss decomposition, drilling down to the detailed trade level.

Efficient operational workflow

Summit captures the lifecycle of all instruments, while streamlining operations enables a 50% reduction in internal support costs.

Summit automates the workflow from confirmation generation, settlement messaging, and payment processing, including direct Fed integration, to real-time trade position viewers and accounting.

Scalability, components and micro-services

A range of components integrate with Summit to build a powerful solution with business-wide functionality and data openness through a comprehensive API library, exposing the necessary data for Polypath to compute MBS / ABS analytics for the portfolio manager or across the entire balance sheet.

Optimize workflow with SaaS modules

Our Software-as-a-service solutions are delivered via Finastra's FusionFabric.cloud, thus benefits from short deployment timelines and the built-in advantages of cloud-based computational elasticity.

Key offering for Federal Home Loan Banks

- Entire balance sheet can be managed in Finastra Summit.
- Real-time cash balances including STP messaging.
- Front-office member's facing portal can be integrated to Summit using its REST APIs, so members can do RFQ for advances, including self-service execution, auto funding and hedging, as well as automated hedge relationship creation.
- All integrations into payments, credit risk and MBS / ABS analytics are fully QA and tested.
- With Summit, payments, credit risk, MBS / ABS analytics and internal member portal it's a microservices architecture that's facilitated with REST APIs.



How Finastra Summit helps Federal Home Loan Banks today



FHLB Funding and Issuances

FHLBs employ a dual approach to funding: Short-Term Funding: Achieved through same-day discount notes and Long-Term Funding facilitated by an active Office of Finance issuance program.



Liquidity Support

Banks strategically borrow from FHLBs to secure funding through Advances, a flexible loan product that members can tap into as needed. Finastra Summit can model all the different types of Advances FHLBs offer, along with their downstream processing.



Risk Management and other Services

Beyond liquidity provision, FHLBs extend additional services to their members. With Finastra Summit, members can rest assured that all their needs are covered, including custody and cash management.



Mortgage Market Participation

FHLBs actively engage in the mortgage market. Member banks have the opportunity to sell mortgages to select FHLBs. FHLBs actively engage in the mortgage market. Member banks have the opportunity to sell mortgages to select FHLBs. Finastra Summit covers the end-to-end management of their MBS / ABS portfolio and provides the data needed for Polypath to compute risk analytics.



Hedge Accounting

FAST133, also known as Hedge Accounting, is the regulation that applies to derivative usage ensuring derivatives (like Swaps) effectively offset some market risk associated with the hedged item (such as bond issuances or Advances). Under Hedge Accounting module, Finastra Summit tests and validate this offset. When successful, the hedged item and the hedging item can offset each other in accounting, risk management and financial reporting.



Overnight Repo Market Participation

While FHLBs are small participants in the overnight repo market, they strategically utilize these transactions for short-term funding needs. With Fusion Summit, FHLBs can book and track these along with the securities attached to them, understanding their inventory and providing end-to-end for settlement, delivery and custody.



Overnight Investments

FHLBs engage in overnight investments through channels like Fed Funds, repos, and bank deposits. Fusion Summit can model these investments and keep track of cashflows, valuations, interests, etc.

Deployment and connectivity

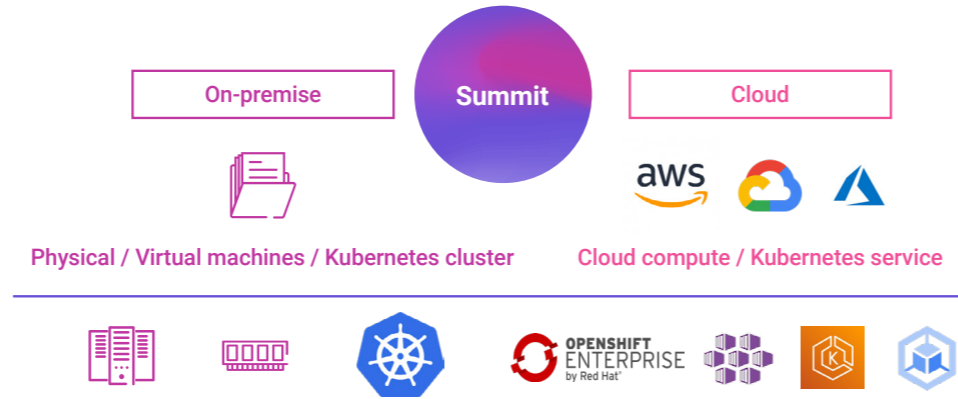
Summit is based upon a modular, multi-tier architecture server model allowing scalability from small local set-ups to very large-scale multi-entity global implementations. It is kept secure, resilient and future proof through modern DevSecOps practices.

Select your preferred deployment model and roll out Summit to virtually any environment in cloud or on premise via Kubernetes clusters.

Packaged with native, plug and play connectivity with the main service providers in the capital markets space such as Refinitiv and Bloomberg, Summit innovates with open APIs within the FusionFabric.cloud platform based upon the Summit REST framework.

Summit is an open solution supporting best of breed technologies and standards for integrating with banks' own ecosystem: MQ, SOAP, REST and standard financial formats along with financial messaging formats.

Summit deployment models



Summit integrates with OpenID Connect (OIDC) to enable the usage of complex multi-factor authentication, single sign-on or simplify connectivity with the existing identity provider.

Data is protected over secure network communication across all tiers with HTTPS / TLS everywhere, modern encryption algorithms like Symmetric encryption AES with 256 bit key, Asymmetric encryption RSA with 2048-bit length key and Hashing SHA-256. Software is delivered free of critical and high vulnerabilities following our SAST, DAST, SCA, Pen Tests.



Contact us

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 software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial 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 over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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