



Party Elephant Hides Credit Risk Information Gap?

Total exposure to individual parties uncertain?

Mansfield, Massachusetts, May 13, 2009.

Back to credit risk basics

Credit risk is a hot "back to basics" topic these days. Potential failure of borrowers to meet their loan obligations threatens to topple our financial system. Strategies to avoid, eliminate, transfer and actively manage risk are all based on a detailed understanding of the individual borrower or counterparty. **But what if you don't really know the complete relationship of an individual party to your loan portfolio?** There's a gap in the information that connects counterparties to groups of accounts with financial interdependence. That's the party elephant in your credit risk room.

Individuals and households at the heart of the SCAP "stress test"

The potential impact of a party defaulting on an obligation is at the core of the Supervisory Capital Assessment Program (SCAP). The just released "stress test" results detail for the 19 largest bank holding companies additional capital required to withstand losses and allow them to meet ongoing customer credit needs given a more severe recession than anticipated.

The **bulk of potential losses** projected from the more adverse scenario, \$455 out of \$600 billion total, **comes from accrual loan portfolios, particularly residential home mortgages and other consumer loans.**

How big is the party elephant in your loan portfolio?

Likely you have dashboards full of risk related metrics. Banking and trading book by product, exposure type, economic sector and geography. Regarding each unique party:

- **How do you identify all of the parties associated with contracts and then cross reference each individual party to all their contract relationships?**
- **What is the percentage of party duplication in the loan portfolio?**
- **Do you understand risk concentration to groups of accounts with connected parties (like households) that exhibit financial interdependence?**

More party - less risk - here's how

Leveraging IBM® InfoSphere™ software, [PartyQualityInsight \(PQI\)](#) takes contract data about parties and creates a complete party relationship cross reference to all accounts. PQI finds all the instances of the same party across all input sources and groups them together, and also finds all the relationships between parties and formalizes them.

As a commercial off-the-shelf solution, PQI can be implemented to generate and visualize production quality results in days. Results are presented in a dynamic interface with graphical summaries and robust drilldown to details. **The party cross reference can then be integrated with your credit risk management warehouse.**

A better understanding of unique parties and party relationships translates directly into less aggregate high risk exposure, lower default rates and the knowledge to take appropriate actions to mitigate risk.

Turn that party elephant into party relationship insight you can act on now!

See how [PQI transformed the Bernard Madoff Investment Securities client list](#) into a party centric view in 11 minutes!

About DataQualityFirst

DataQualityFirst is an enterprise software company that develops innovative solutions to resolve long standing data integration and quality problems for large business organizations. For more information please call 508-618-1317 or visit www.dataqualityfirst.com.

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