

Federal Home Loan Bank of Pittsburgh uses Razor to consolidate, measure and manage their credit risk across the organization

The Federal Home Loan Bank of Pittsburgh (FHLBank Pittsburgh) is one of twelve banks in the Federal Home Loan Bank System, a national network of privately owned wholesale banks, and has assets worth over \$95 billion. It embarked on a replacement program for its aging in house Counterparty Exposure system as they were faced with a number of mounting challenges:

- Increased trading and hedging book complexity
- Growing regulatory and internal policy controls
- Volatile credit and capital markets
- An aging in-house system with:
 - Limited product and policy coverage
 - Limited data management capabilities
 - Inflexible application of policy mandate
 - Limited reporting and analytics functionality

The Federal Home Loan Bank of Pittsburgh looked to both their in-house capabilities and to external vendors to find a solution that could fully meet the Bank's Credit Exposure Measurement and Management requirements including Basel regulatory requirements across a broad set of asset classes.

Razor was identified early on as a best fit solution to meet the Bank's immediate needs, while providing the flexibility and scalability to meet the Bank's changing needs over the next decade.

The requirement

The Program involved the replacement of a 10 year old in-house system with Razor's Limit Management and Exposure measurement solution. These modules provide the bank with the required functionality to meet its current needs, and to retire existing analysis processes that became redundant with the implementation of Razor. Key deliverables include:

- Real time Pre Deal Check capability ensuring all trading confirms to the Bank's Risk Policy;
- Online alerts highlight changes in Credit Ratings and breaches of regulatory limits;
- Consolidation and automation of manual user or spreadsheet driven processes;
- Integration with the Bank's systems and data sources;
- Configured automated processes to apply Policy and Regulatory requirements;
- Deployment to a wide user base across 4 internal business units; and
- Hierarchical information and aggregation methods configured to support common credit analysis techniques.

"Our credit policy mandate is constantly evolving, and the increasing complexity of the Bank's trading and hedging activity required us to identify a solution that is inherently adaptable and extendible."

J. Michael Hemphill, Chief Risk Officer, FHLBank Pittsburgh

Case Study:

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An internal FHLBank Pittsburgh team of technology, operations, trading and business analysts coupled with specialist Razor Risk Technologies implementation consulting and support services ensured the CES replacement program was delivered on time and on budget in a period of just 7.5 months.

Technology

Technology integration costs were kept well within budget. The technology team integrated one of the Bank's existing Trading systems with Razor and deployed reconciliation routines utilizing Razor's XML schemas and messaging interface with their existing data-stores. These reconciliation routines replaced manual processes that were often arduous and time consuming, involving a coordinated effort by users from technology, operations and business analysis teams.

Razor's industry standard XML based interface enabled the simple integration between Razor and the Bank's front office system.

Razor's highly configurable design allows customers to fully meet simple or complex risk policy, regulatory and limit management requirements within the system, providing a single view of all exposure and enabling accurate and timely risk management consolidated across the whole enterprise.

Razor's modular design allows clients to select functional components necessary to support current system requirements and to supporting ever evolving requirements.

Summary

FHLB Pittsburgh now has a best-practice risk management solution in place that manages credit exposure on a consolidated, real-time basis across the organization. This fully integrated system meets the Bank's current risk management needs and provides a scalable platform for what the future holds – all achieved on time and on budget in a 7.5 month timeframe.

About FHLBank Pittsburgh

FHLBank Pittsburgh is one of twelve banks in the Federal Home Loan Bank System, a national network of privately owned wholesale banks.

- Created by Congress in 1931;
- wholesale bank, a "banker's bank" that exists to supply a steady stream of low cost funding to members/owners who are also shareholders in the private cooperative institution;
- Provides liquidity to the banks, savings and loans and credit unions through every economic cycle;
- Primary source of funds is the sale of debt securities to institutional investors in the capital markets; and
- More than \$95 billion in assets.

"Our ability to monitor and manage counterparty exposure will be significantly enhanced through the use of Razor, and we will continue to look for ways to leverage this solution to monitor our trading and hedging activities."

Elizabeth Cates, Chief Credit Officer, FHLBank Pittsburgh

About Razor Risk Technologies

Razor Risk Technologies is a leading provider of risk management technology and consulting solutions to financial institutions worldwide.

Razor Risk Technologies' award-winning 'Razor' framework provides near real-time and pre-deal calculations that enable management to view their total exposure to individual entities on one consolidated platform.

Clients use Razor's advanced analytics and scenario calculations to achieve best practice in managing risk exposures for credit, market, clearing and liquidity risk within a single application.

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