

What's New in

Regulatory Compliance

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IRelease Highlights



Regulatory Compliance

Obligor Objects/IFRS Provisioning and Impairment » Identification of Default of Obligors

Financial institutions must perform an assessment of its obligors based on the prudential regulations issued by several regulators across the world such as (European Banking Authority (EBA) and Commission Bancaire de l'Afrique Centrale (COBAC)), to determine if the risk of non-repayment can lead to default.

This functionality provides the logic to identify the default of obligors, which is a pre-requisite in applying the default contagion logic to assess the effect of default of one obligor on other related obligors, by leveraging the existing asset classification logic in the Provisioning module (PV). It also provides an option to use either the PV module to perform the identification of default of obligors or update the default status using an external system.

- To identify the default at obligor level, the existing functionality in the Provisioning module (PV), which holds the logic to perform risk classification of assets, is now extended to obligors. In order to support this capability by PV, the Joint Obligor feature is introduced in the PV module.
- The Joint Obligor feature creates a unique record for a joint obligor in PV.CUSTOMER.DETAIL, similar to that of an individual obligor, and also extends the customer level classification to the joint obligor.
- The Identification of default of obligors feature in the OX module updates the OX.OBLIGOR.DETAILS table with the customer level classification in the PV module, by referring to the user-defined frequency and the user-defined default equivalent classification, and performs the identification of the default of the obligor.

Click [here](#) to understand the technical impact of this enhancement for customisation and upgrades.



Click [here](#) to understand the installation and configuration updates for this enhancement.

Obligor Objects » Default Contagion

The Default Contagion (JX module) works in conjunction with Obligor Objects (OX module). The functionality offers to assess the contagion effect of the default of an obligor on other related or grouped obligors. This is according to one of the requirements of the regulations promulgated by regulators such as European Banking Authority (EBA) and Commission Bancaire de l'Afrique Centrale (COBAC), relating to credit risk and regulatory capital requirements.

The contagion results have a bearing on the calculation of Risk-Weighted Assets (RWA) for regulatory capital requirements or on provisioning calculations if the Provisioning module (PV) is used.

Click [here](#) to understand the installation and configuration updates for this enhancement.

IFRS9 Financial Instruments » Multi-GAAP Provisioning

Banks and Financial institutions operate under multiple jurisdictions and need to comply with different sets of standards for their regulatory reporting requirements.

This functionality supports Multi-GAAP provisioning for a financial asset under both IFRS and Standard provisioning parallelly. This allows a contract to be subject to more than one type of provisioning method based on different GAAPs.

- Different provision parameters (based on both the GAAPs) need to be configured, which enables the system to support the following:



- Apply different set of rules for classification of asset that define the risk based on each GAAP.
- Calculation of provision amounts based on the prescribed percentage under each GAAP or using the credit risk measures for IFRS impairment.
- Multiple provision balances to be accounted and reported under each GAAP.

Installation and Configuration Notes



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Obligor Objects/IFRS Provisioning and Impairment » Identification of Default of Obligors

The Obligor Objects (OX) module must be installed in order for Identification of Default of Obligors feature to be enabled.

Obligor Objects » Default Contagion

JX is the new licensed product code for the Default Contagion feature.

| Technical Notes



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Obligor Objects/IFRS Provisioning and Impairment » Identification of Default of Obligors

Temenos has released an `OX.OBLIGOR.PARAMETER.DEF.CLASS.HOOK` record in the `EB.API` table, which contains the Java interface details corresponding to the *Default Update API* field in the `OX.OBLIGOR.PARAMETER` table. A Java or JBC hook API can be attached in this field to retrieve the risk classification of the Obligor.

- This hook is applicable only in the absence of the PV module and is invoked during the obligor classification process in COB to return the risk classification of the Obligor.
- The obligor details record is passed to this hook to retrieve the assessment result. If the result is one of the classifications mentioned in the *Def Equiv Class* field in `OX.OBLIGOR.PARAMETER`, then the obligor will be marked as 'Default', otherwise it will be marked as 'Performing'.