

Funds Transfer Pricing

Accurately assess
risk-adjusted profitability



Not all growth creates sustainable value. In recent years, market trends have contributed to uncertainties for many financial institutions. Funds transfer pricing (FTP) can help finance leaders navigate market change by accurately measuring value creation across the institution for an individual loan portfolio, product, or other organizational unit.

Strata's [Axiom™ Funds Transfer Pricing](#) solution is designed to calculate accurate FTP rates at the instrument/account level. This helps finance professionals measure margin contribution across any dimension, such as customers/members, relationships, products, organizational units, officers, and channels. The FTP solution brings together modeling of FTP rates, credits, and charges — with data visualization, incremental analysis, segmentation, and other analytical methods — to help financial institutions:

Employ a transparent matched-term approach, allowing for adjustments to transfer curve/rates based on origination date, term, options, expected cash flows, and other instrument characteristics.

Analyze the impacts of various contributors to net interest margin (NIM) and overall profitability for precise decision-making and product pricing.

Focus on analytical reporting to improve pricing decisions and assess performance drivers.

Efficiently update FTP assumptions around institution and market rates, yield curves, methods, and interest indices in a central web-based location.

Maximize value from FTP modeling, including real-time product pricing assistance and more effective incentive compensation programs.

Understanding Margin Composition

FTP radically changes a financial institution's understanding of the composition of NIM by assigning margin to the activities of lending, deposit gathering, and interest rate risk management.

With Axiom FTP's matched-term approach, each record is transfer priced, based on the contractual or prepaid cash flows. FTP practitioners have complete visibility into all calculations and can alter their assumptions, as warranted.

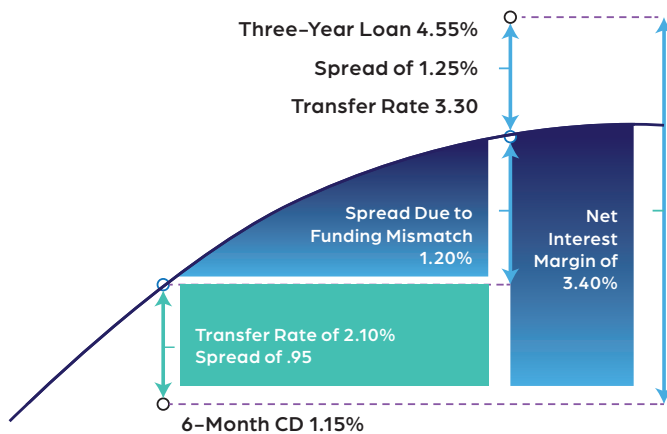
More Than a Calculation Engine

Designed to calculate transfer rates quickly and accurately, Axiom FTP offers a full complement of production reports and empowers analyses such as:

- Ranking reports
- Risk/return analyses
- Funding center reports
- Rate volume analytics and other ad hoc analyses
- Incremental impact analyses for recent institutional activities

Aggregate results by factors such as product type, organization, role, and geographic location, with point-and-click drill down to transaction-level detail.

Assigning and Monitoring Margin with FTP



Key benefits:

- **Strong data management** – Easily configure and automate data imports from source tables, automatically flagging erroneous field values.
- **Fast and scalable** – Price millions of transactions using the solution's robust, multi-threaded processing engine.
- **Transaction precision** – View cash flows and pricing at the record level.
- **Configurable** – Create and apply specific base rate and adjustment rate FTP rules and filters to accurately apply funding charges and credits.
- **Easy to use** – Improve visibility into the pricing engine and leverage robust reporting.
- **Interactive results** – Dynamically drill down from consolidated results to account/instrument-level detail.
- **Strong reporting and analytics** – Create and access a broad complement of reports online, or schedule report distribution.

Axiom FTP drives:

- **Accurate margin allocation**
 - Leverage robust matched-term pricing algorithms to price loans and deposits accurately.
 - Create and apply specific base rate and adjustment rate FTP rules for liquidity premiums, options costs, management spread adjustment, and more. Leverage filters for any product, geographic, or customer account attribute, and assign rates on a term- or time-weighted principal.
- **Margin accountability and transparency** – Accurately ascribe value to funds users, funds providers, and funding center managers, easily identifying contribution assumptions.
- **Analysis across dimensions** – Understand origination, pricing activities, and margin contribution by customer member, relationship, channel, product, organization, or officer.
- **Integration with budgeting, planning, and profitability**
 - Seamlessly include FTP in profitability analyses, budgeting, and planning processes on a single unified platform.
- **Roles-based security** – Allow user access and permissions based on defined roles.
- **Solution adoption and success** – Backed by deep knowledge of financial institutions, best practices in margin analysis, and personalized customer service from the industry's best EPM support staff.

To learn more about Strata's Axiom solutions, visit our [website](#) or [request a demo](#).