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BANK TECHNOLOGY NEWS

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The companies on this year's list were selected based on the degree to which their product or service showcased a promising solution to a vexing problem facing the financial industry: the need for customer centricity, better risk management, consumer demand for next generation retail banking, or increased security.

All of them also offer hope for an industry in need of a makeover, whether it's improving consumer trust through better products and services, regulator trust through better risk management, or investor happiness with the ability to drive new and incremental revenue. The following pages reveal a snapshot of where the industry ought to be going.

-Rebecca Sausner

RISK MANAGEMENT

Primatics Takes Stress Testing to the Clouds

FIRM Primatics

CEO Peter J. Fitzsimmons

WHAT DOES IT DO?

Evolv Risk uses cloud computing to process large amounts of loans on demand for stress testing.



To stomp out future credit traps that can be hidden deep inside a portfolio, financial institutions now have the option to enter the clouds that drive one of the financial services industry's newest risk management tech platforms.

Evolv Risk, a new platform from Primatics Financial that's the first risk platform to leverage cloud computing, has won the business of one of the nation's largest banks. The system enables the bank to analyze large volumes of loans "on demand" with minimal upfront capital expense.

"The scalability is quite useful, now that [banks] are getting more requirements around liquidity management and doing more stress testing," says Peter Redshaw, a research vp at Gartner. "Banks don't want to keep all of that [stress testing technology] on their own infrastructure, so it's a powerful part of the business case to use cloud computing for this purpose."

Banks can also access data mining, risk segmentation and credit exposure analysis tools to aid in the pricing of loan portfolios. "[Cloud-driven risk management] is a totally different mindset," says Dave Payne, a manager at Primatics, who says the flexibility allows users to compare its own internal risk models against the same customer data set for stress testing purposes to get a multi-dimensional view of loan performance.

Evolv Risk was developed internally by the three-year-old privately funded Primatics and is driven in part by partnerships with Amazon Computing Cloud and Gigaspaces. When using Evolv Risk, hundreds of Amazon machines can be rented hourly to run risk models, producing reports in minutes and multiplying the amount of "what if" scenarios that can be run for analysis.

Redshaw says that since stress testing has "spikes" in which it's used more often than at other times, based on the timing of reports or as a response to market conditions, the "as a service" pricing model is particularly useful. "You don't want to have [server] capacity around that you aren't using," he says.

Risk managers can enter myriad information on economic conditions, rates and other risk metrics into a dashboard to determine the impact on specific borrowers and portfolios. "The senior management can come up with all kinds of scenarios," Payne says. "It's like being a kid in a candy store."

The platform can scan linearly across three axes—number of clients, number of users and number or executions, which aids in producing faster results. For example, users can ask the system to show the default rates for the mortgage portfolio with low FICO scores and compare the delinquency rates to those of prime loans.

Evolv Risk also utilizes MicroStrategy's business intelligence platform, which allows for complex data management and analysis tools to be used and understood by business users. To provide security, the technology leverages Amazon redundancy and failover to provide backups for all persistent data stores. Also, the Gigaspaces Cloud infrastructure provides a scalable in-memory data grid with hot failovers to ensure data is not lost.

Ellen Carney, a senior analyst at Forrester, says the deployment and technology are likely unique in the financial services industry, but should be beneficial. "You don't have to devote a huge amount of money to developing a stress testing environment but you still get fabulous benefits. It's a terrific model." —JA

