

- Excerpt Only -

Vendor Analysis: Moody's Analytics

CECL Technology Solutions 2018



Chartis FinTech Quadrant™ for CECL technology solutions, 2018



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Quadrant dynamics

General quadrant takeaways

The generally broad spread of vendors on the quadrant, coupled with a tighter grouping among category leaders, reflects how the CECL solution and vendor landscapes have evolved in recent years.

- Category leaders scored well for both market potential and completeness of offering, and in their CECL solutions generally featured strong classification of financial instruments and embedded knowledge. Those suppliers with a history in credit risk and BSM systems had the highest scores. Also key to the scores of the highest ranked vendors was their organizational breadth and reach, giving them a wealth of experience in implementing diverse accounting models.
- Vendors with strong enterprise solutions had high scores in most of the key required features of a comprehensive CECL offering. Those that scored highly overall tended to have sophisticated technology that integrates well with FIs' existing systems.
- Best-of-breed vendors generally rated highly in the following areas: financials, strategy, delivery and client satisfaction. Optimum business delivery (including the ability to rapidly integrate systems) is important for CECL solutions, which can often be overlaid with several other processes and models. However, these vendors did less well when considered against the key aspects of a comprehensive solution, such as data provision or general ledger and accounting.

Vendor positioning in context – completeness of offering

Moody's Analytics scored highly on the completeness of offering axis of the Chartis quadrant largely due to its sophisticated and customizable approach to using data and model development to service FI's CECL requirements.

Fundamental to FIs' CECL compliance is access to adequate modeling data. The strong background in data that Moody's Analytics has is evident in the extent of its data provision and its relatively sophisticated data management capabilities. Moody's Analytics provides data sets for corporate and structured products at a variety of frequencies, enabling it to address all the asset classes covered by CECL. Moreover, its comprehensive cloud-based data management system includes modeling, validation and benchmarking.

The solution also scored highly because of the customizability and flexibility of its models and the validation services it provides. Custom model design can be adapted down to regional variables or a specific concentration of risk in certain assets; the models' customizability also has the scope to include qualitative data input.

Table 1 shows Chartis' rankings for the vendor's coverage against each of the completeness of offering criteria.

Table 1: Completeness of offering – Moody’s Analytics (CECL Technology Solutions 2018)

Completeness of offering criterion	Coverage
General ledger and accounting	Medium
Classification of financial instruments	High
ECL calculation	Medium
Balance sheet management and optimization	Medium
Data management	High
Stress testing and variable analysis	High
Model validation	Medium
Technology	High
Reporting	Medium
Embedded knowledge	High
Integration of finance and risk	Medium
Provision of data	High

Source: Chartis Research

Vendor positioning in context – market potential

For Moody’s Analytics, its market potential score was essential to its position as a category leader. The company has a loyal customer base, and its experience in supporting existing clients for IFRS 9 and data analytics systems gives it a good baseline structure for implementing its CECL solution.

Its experience in credit and risk modeling in finance helps it service general CECL implementation requirements; it also publishes several CECL methodologies. Its partnerships with US banks enable it to validate the performance of its models, further enhancing its relative authority in this space.

Table 2 shows Chartis’ rankings for the vendor’s coverage against each of the market potential criteria.

Table 2: Market potential – Moody’s Analytics (CECL Technology Solutions 2018)

Market potential criterion	Coverage
Customer satisfaction	High
Market penetration	High
Growth strategy	High
Financials	High
Business delivery model	High

Source: Chartis Research

3. Vendor context

Overview of relevant vendor solutions/capabilities

Table 3 gives an overview of Moody’s Analytics and its CECL solution³.

Table 3: Moody’s Analytics – company information

Company	Moody’s Analytics
Headquarters	New York, NY, US
Other offices	San Francisco, Toronto, Brussels, Paris, London, Singapore, Hong Kong, Tokyo
Description	Moody’s Analytics provides financial intelligence and analytical tools to organizations worldwide. Its solutions comprise research, data, software and professional services.
Solution	<p>Moody’s Analytics ImpairmentStudio solution features an integrated, scalable credit allowance process for step-by-step CECL analysis. The interactive solution includes:</p> <ul style="list-style-type: none"> A data center to centralize and reconcile data from multiple sources. A scenario library that provides access to off-the-shelf Moody’s Analytics macroeconomic scenarios and custom forecasts. A model inventory that provides access to credit risk and allowance models from Moody’s Analytics; it can also house FIs’ internally developed models. A CECL calculation engine that can support a variety of methodologies, as well as built-in analysis tools.

Source: Moody’s Analytics

The ImpairmentStudio solution is the cornerstone of the vendor’s Credit Loss and Impairment Analysis Suite. Its data integrity, analytics and regulatory reporting solutions contribute to a modular impairment offering. The ImpairmentStudio solution features an auditable platform for data consolidation, model warehousing, expected credit loss calculation, and results analysis.

Figure 3 summarizes the capabilities of the ImpairmentStudio solution.

³ The ImpairmentStudio and CAP solutions are trademarked by Moody’s Analytics.