

Solving the Contract Analytics Imperative: technology, people and process

Financial institutions are facing an imperative to reduce risk. Regulatory standards demand that the terms and commitments within contracts are intimately analyzed to reveal the risks that they may represent.

Not doing so has been legislated as an unacceptable risk to the stability of the domestic and international financial system. In addition to external pressure, many financial organizations are increasingly viewing the need to understand the contents of their contracts as a vital internal operational interest.

But contracts are often in large sets of unstructured, highly dispersed formats. There are specific challenges posed by the nature of these contracts, which typically impact large custodian banks and insurers the most. In general, both types of organizations have a set of counterparties that have evolved as well as a high number of historical contracts, those with risk aspects that change over time, and contracts with jurisdictional complexities. For many institutions, the need to uncover and address these risks is driven by programs designed to ensure compliance with the Recovery and Resolution Planning regulation.

This white paper covers the rollout of a contract intelligence program that a client needed to meet regulatory timelines and avoid significant sanctions. The client was seeking to provide transparency on contract data in a manner that was readily available, searchable, and automated. The scope of the challenge included 500,000+ client contracts within numerous legal entities/business units. In some cases, the contracts were over 30 years old, which presented significant challenges for this Fortune 500 financial services company.

By deploying an advanced contract analytics platform, the client was able to meet the demanding regulatory timelines at each of several successive review stages and satisfy the various regulators (Federal Reserve, FDIC, and FSOC) by demonstrating that their contract intelligence program had fulfilled the necessary requirements. The client was also able to realize significant operational benefits through better contract intelligence and risk management.

Creating a Solution

In addition to the core capability of being able to transform the contracts into a collection of searchable digital assets, the platform had to have a number of other key attributes, including:

1. The ability to intelligently read the contract and its component data, regardless of the file format or where the document was stored
2. The ability to classify the contracts by type, region, and party
3. Extensive rules-based workflows to extract relevant data into summary views
4. Rich dashboards to display the risk hierarchy within the contracts
5. The ability to post the contracts in an intelligent repository and analytics-rich system of record