


Advancing SME finance through same-day lending decisions



HCLTech delivers Pega-enabled, superior loan
origination solution

The client is one of the leading banks in APAC. The bank has introduced a number of beneficial initiatives for small businesses such as revamped lending systems, instant lending decisions, and waiver of business banking fees/charges. The bank roped in HCLTech as a strategic partner for their lending transformation program that would foolproof the credit appraisal system and make it auditable in line with the APRA stress test requirements.

The Objective

Deploying a future proof banking system

Due to the compliance mandates, switching to digital front-office and back-office processes was imperative for the client. The goal was to make electronic signing easily accessible for the policyholders. Another objective was automating the generation of agent commission statements. Manually

generating agent commission statements was a complex and effort-intensive process requiring 10-12 hours daily with six different processes. This also led to human errors. With HCLTech, the client wanted to achieve these goals and transition to a next-gen business platform.

The Challenge:

Legacy processes creating data quality and manual processing challenges

The bank had been mandated by the regulator to automate the entire credit workflow to retain advanced their IRB accreditation. But the ground reality was markedly different. During credit appraisal, the bank faced a delay in decision-making due to the lack of an integrated view of information. This lack of high-quality data meant limited scope for data-driven credit

decision. In other words, the bank lacked a single source of truth to leverage any reporting and analytics. Moreover, the existing, manually intensive loan process was prone to human error while the user-dependent LGD/EAD calculations created regulatory challenges due to lack of auditability creating operational risks.

The Solution:

Implementing next-gen banking solution

HCLTech crafted a scalable Pega solution on the enterprise Pega platform with two key components. First, the robust Pega workflow solutions that helped redefine the target state architecture for LGD calculation by replacing the EUC tools and manual calculations. We also used the Pega Decision Engine to fully automate the secured lending margin (SLM) and LGD calculation to remove the scope for any human error. The complex calculation logic of the Pega platform enabled LGD calculation with 80+ business rules and scenarios while the real-time

integration helped retrieve facility, PD, and counterparty details. The solution offered seamless integration to link customers, facilities, collateral, and the calculations used to determine LGD from BRE. Moreover, collateral allocation rules were automated and collateral data quality was improved with the Collateral Management System (CMS). Automation was also implemented in reporting and analytics that limited the usage of CSV files for storage and corresponding manual reports.

Process automation improved validation of data and system rules for LGD accuracy and reporting. We also automated the business rules that helped demonstrate lineage of non-retail LGD values. It created a common rules engine for institutional, corporate, and private banking divisions for LGD calculation. We also automated the calculation process for LGD and credit exposure policy. The Pega-based LGD UI application is designed specifically for IB&M (institutional banking and market business unit) to cater to commercial and business facilities.

The solution can act as a single reference repository that links customers, collaterals, facilities, and ratings and improve collateral mapping via rest APIs to enhance data quality. This enforces event-driven decision capabilities retaining the manual override of LGD values.

More data-focused improvements included automating data feeds for credit note and enhancing data availability in the analytics platform for model validation and reporting.

The Impact:

Gaining from process efficiency and error reduction

With an integrated platform, HCLTech created a unified view of customer, facilities, PD ratings, LGD, and EAD values of loan origination. Automating the LGD calculation and reporting reduced the operational risks and helped achieve regulatory compliance. Automation helped improve process efficiency as rekeying and manual data entry were reduced significantly.

Meanwhile, mitigating manual processes

led to the identification and remediation of data quality issues and sustainable data-driven decisions could be made. Similar benefits were experienced with LGD assessments and reporting with a marked reduction in rework and manual adjustments. Overall, the introduction of automated interaction between LGD related systems fostered wholesale enhancements to process efficiency that drove adoption.

