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S&P: A Regional Investment Bank Wins New Business and Better Manages its Municipal Clients' Credit and Climate Risks.

HIGHLIGHTS

A regional investment bank is looking into upgrading its credit and climate workflow processes. By working with S&P Global Market Intelligence, the bank was able to automate its credit and climate data collection process, acquire a transparent approach to understanding creditworthiness of financial advisory clients, and help the firm win the underwriting of new deals.

This regional investment bank advises over 100 municipal clients and underwrites dozens of deals annually. The financial advisory team supports their clients with the issuance of new debt and navigating the credit rating process. Separately, the underwriting team facilitates the purchase and resale of new municipal securities, where having a deep understanding of credit and climate risks is essential in structuring a deal. Also, the company was aggressively looking to add more clients. Given the importance of these functions to these departments, the company was interested in upgrading its credit and climate workflow processes. By working with S&P Global Market Intelligence (Market Intelligence), the company achieved these goals of automating its credit and climate data collection process and providing a simple to use, completely transparent approach to understanding creditworthiness of financial advisory clients and helping the firm compete, win and promote the underwriting of new deals.

Pain Points
The Public Finance financial advisory and underwriting teams had been struggling with their internally developed solution, which was not adequate for the company's needs. Specifically:

- **Lacked an understanding of client climate risk:** The company did not have the data or process to assess the impact of climate or physical risk for its clients or new deals they were taking to market.
- **Internal credit models were misaligned with Rating Agency criteria:** Since the company's credit models were not annually recalibrated and updated, they were not reflective of the current methodology including environmental and social factors. Consequently, they were generating credit results that had material credit scores different than the public ratings. So, when scenario analyses were conducted (e.g. new debt) the results were inconsistent.
- **Needed innovative approaches to win new business:** The business was increasingly competitive, and they needed to identify ways to differentiate themselves from competitors.
- **Cumbersome surveillance process:** The process the company used to conduct annual reviews of their customers was manual and time consuming.
- **Insufficient data coverage:** The company was spending more time trying to obtain the necessary data than it was conducting the analysis.
- **Gaps or lack of expertise for certain public finance segments:** The company had difficulty entering new Public Finance segments because they lacked the expertise or did not have the

appropriate segment specific credit models (e.g. higher education, healthcare, housing, general obligation, transportation, water & sewer).

The company's Public Finance team adopted the Market Intelligence's Public Finance Automated Scoring Tool (PFAST) solution to address these challenges.

The Solution
Market Intelligence recommended PFAST, an Excel-based suite of Market Intelligence Credit Assessment Scorecards that is both an automated credit scoring and data solution enabling users to:

Assign credit scores to the vast majority of the company's municipal customers
PFAST offers broad Public Finance sector coverage, including:

- **General Obligation** issuers or states, cities, counties, and school districts
- **Water and Sewer** utilities
- **Not-for Profit Health Care** including health care systems and hospitals
- **Not-for-Profit Higher Education** including private and public/state institutions
- **Transportation** including airports, mass transit, toll roads, bridges, and tunnels
- **Housing** including single- and multi- family agencies

Understand your client's climate risks
Understanding your client's susceptibility to 18 different natural hazards and potential economic loss from those natural disasters will help you better and more proactively manage your clients. PFAST also includes a quantitatively based summary environmental/social score for every municipal entity where data is available.

Win new business by differentiating yourself from your competitors by providing credit and climate insights
PFAST will provide easy to identify credit and climate finding that will highlight your command of new and existing clients. Leverage our unrivaled ability to create local, regional, and national benchmarks for prospective clients given our vast database of both rated and unrated issuers.

Automate the spreading for all S&P rated General Obligation, Water & Sewer, Healthcare, Higher Education and Airport Obligors
Market Intelligence has collected more than three years of financial and economic data for all rated general obligation issuers, water & sewer, healthcare, higher education, and airports. The data and credit scoring are fully automated by simply using an identifier (CUSIP or S&P Capital IQ ID).

Monitor your customer credit quality in minutes
By simply inputting an identifier a user can generate overall credit risk scores for your complete public finance customer portfolio.

Conduct scenario analysis
Additional functionality for conducting "what-if" scenario analysis for your municipal portfolio.

Key Benefits

The PFAST solution provides an automated credit scoring tool for all US cities, counties, and school districts and water and sewer utilities. A similar approach is also available for the major rated revenue bond segments. Key benefits include:

- **Broad scope of application** with sector-specific credit scorecards and data for General Obligation and Revenue Bonds including Water and Sewer, Not-For-Profit Healthcare, Not-Fo-

-Profit Higher Education, Transportation and Housing.

- **Climate Risk data and scores** that identifies the susceptibility and potential economic from 18 different natural hazards fully mapped to every U.S. county.
- **Methodology transparency** of the Scorecard including all risk factors, weights, benchmarks, and scoring algorithms.
- **Training and ongoing analytical assistance** to help groups understand the range of available capabilities and continue to get the most out of the solutions.
- **Quickly get up to speed** in public finance credit analysis with our easy to use Scorecard User Guides and 24/7/365 support from our global customer support team.
- **Validation support** through annual technical documentation that explains Scorecard methodology and testing.
- **Extensive coverage and continually growing database** of municipal entities financials and economic data.

Click here to learn more about the Public Finance Automated Scoring Tool (PFAST), mentioned in this case study.

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