CASE STUDY

Wealth management team gains efficiencies using tool to manage U.S. municipal exposures

THE CLIENT   A leading financial institution
USERS   Public finance credit risk team

This financial institution (FI) manages a portfolio of thousands of Public Finance issuers for its wealth management clients. The FI's credit risk team conducts an in-depth credit analysis at origination and annual review on every issuer as part of the bank's credit risk surveillance process. Additionally, the credit risk team shares these credit analyses with the FI's traders, portfolio managers, and brokers. Given the importance of these analyses to several departments, the team was interested in upgrading and streamlining its processes. By working with S&P Global Market Intelligence (Market Intelligence), the team achieved these goals, increasing their efficiency when evaluating the creditworthiness of municipal entities.

Pain Points

The credit risk team had been struggling with their existing solution from a different provider, which was not adequate for the institution's needs.

- **Data coverage**: the FI was spending more hours trying to obtain the necessary data than it was conducting the analysis.

- **Credit scoring tool**: the analysts often had to override the results, adding even more time to the credit assessment process.

- **Client support**: the credit risk team reported longer than preferable wait times to access support.

- **Overall time commitment:** the overall process was cumbersome; the financial institution was looking for a faster solution.

The client's public finance risk management team looked to S&P Global Market Intelligence for a solution that would address its needs.

30% of the financial institution's holdings were unrated cities, counties and school districts which required much more effort to collect ongoing data and assess credit quality

S&P Global
Market Intelligence

The Solution

Market Intelligence recommended the Public Finance Assessment Scoring Tool (PFAST), an Excel® based suite of S&P Global Market Intelligence Scorecards that is both an automated credit scoring and data solution enabling users to:

Assign credit scores to most of the financial institution municipal entities	PFAST offers broad Public Finance sector coverage, including: • **General Obligation** issuers or states, cities, counties, school districts and special purpose 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, tunnels, ports, and parking facilities.
Score a municipal portfolio in minutes	By simply inputting a CUSIP or S&P Capital IQ ID, a user can generate overall risk scores for each issuer and sub-scores such economic fundamentals, budgetary flexibility, and liquidity scores.
Automate scoring for nearly all debt-issuing cities, counties, and school districts	Market Intelligence has collected at least three years of financial and economic data for nearly all local governments that issue debt. An automated scoring process applies that data to the State and Local Government Scorecard enabling our clients to score a large universe of unrated entities and create benchmark credit scores for their rated entities.
Conduct scenario analysis	Additional functionality for conducting "what-if" scenario analysis for municipal portfolios, taking into account our different related recession scenarios e.g. COVID-19 or your own assumptions.

Key Benefits

PFAST allows for the automated credit scoring for all US cities, counties, and school districts. 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-For-Profit Higher Education, and Transportation.

- **Productivity gains** with the automated data collection and credit scoring of nearly all cities, counties and school districts including unrated entities.

- **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 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.

S&P Global
Market Intelligence

Contact Us

Asia-Pacific
+852-2533-3565

Europe, Middle East & Africa
+44-207-176-1234

The Americas
+1 877-863-1306