

A MESSAGE FROM THE PRESIDENT

2012 is proving to be a roller-coaster year for many companies. In Madrid while relocating our offices, the moving company commented that we were the first company they had seen for a long time moving into bigger offices. While Europe's economy is still in flux, new alternative lenders moving into the UK and other countries should provide growth in our specific industry. In the US, we have seen the same trend with several new start-ups and alternative financial services companies filling the credit void created by the banks in both the consumer and small business lending markets. We are anticipating that this trend will continue for several years to come.

-Paul Greenwood, GDS Link President & Co-founder

QUARTER 3 HIGHLIGHTS

News From GDS Link, US Office

In September, GDS Link announced the launch of our new **Strategy Optimization Module**, an add-on to Decision Engine. We are currently working with several lenders to integrate this into their platform during the Fourth Quarter.

GDS is proud to announce the addition of **GDS UK, Limited** with **Kelth Hale** as **Managing Director**.

News From GDS Direct, Italy Office

Metropol Corporation Limited and **GDS Direct** have established a partnership to deliver credit risk management solutions to financial institutions in Kenya. These new services will leverage on the power and quality of **Metropol Credit Bureau**. Metropol Corporation is the leading provider of business information and debt management services in the Eastern Africa region and received its license to be a credit reference bureau from the Central Bank of Kenya in April 2012.

GDS Direct Credit Bureau Base Software has been validated with **Galera Cluster for MySQL**, improving system uptime and supporting scalability necessary for increased volumes.

On the drawing board: GDS Direct has started the development of an Arabic version of our Credit Bureau system that will be delivered to a large corporation in the Middle East, active in the car leasing and consumer finance sectors.

News From GDS Modellica, Buenos Aires Office

GDS Modellica Latam has signed an agreement with **Informconf Paraguay**, the largest Credit Bureau in Paraguay. Informconf clients will have the ability to access DecisionEngine capabilities as a service maximizing the value of Informconf's data. Informconf will celebrate being in business for 50 years next January. More at www.informconf.com.py

Banco Estado, the largest Bank in Chile has chosen our partner **Soft Office SA**, in Buenos Aires to implement their software suite, Emerix. GDS Modellica has combined our Decision Engine software with Emerix to build impressive collection software including two decision engines working behind the scenes in tandem. Capabilities such as: next best script, best DCA assignment, best refinance product, scoring capabilities and others are the result of this combination, please see more [here](#).

GDS Modellica Latam has launched two new services to the South America market: **Dataview360 for Applications**; this service allows financial institution credit applications processing including online and batch collection of credit applications, implementing decision strategies and the ability to connect and leverage the data from more than 10 Credit Bureau in Argentina. Some benefits include the ability to customize the full service, customize reports, print documents, define SLAs for internal staff and coordinate multi-branding data capture.

Intellection360 for Customer Management; this service allows our clients to apply risk strategies against their existing client base for account management activities including limit management, cross selling and collection strategies. In addition to technology, GDS also provides related consulting services.

News From GDS Link Asia, Philippines Office

GDS Link Asia has signed a deal with **Equicom Savings Bank** in partnership with **CIBI Information** to deliver a customer acquisition system for personal loans. Equicom will be using the **DataView360 Suite including CASECenter, DataEngine** and **DecisionEngine** in a Software as a Service environment, while CIBI provides outsourced labor for data entry and verification. The partnership delivers a complete applications system 'in-a-box' where the clients gets everything they need to start a credit program from scratch.

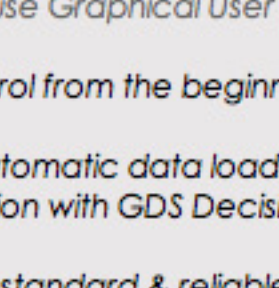
GDS Link Asia has also landed a deal **delivering an employment screening system for CIBI Information**. This verifies the education and work experience of job applicants. The system, called **Clear 4 Hire**, will verify education, references, credit history and residence information. It will be delivered in Software as a Service model. Clients will open accounts and use the system from their onsite locations. CIBI will provide the labor doing the verification calls and school visits. Our platform will be the overall workflow and interface across the process.

GDS Link Asia has also signed a contract with **Gillamac's Marketing Inc.** Gillamac's is **one of the largest appliance retailers** in the Visayas and Mindanao regions of the Philippines. **They will be using DataView360** for approving potential customers for their in-store appliance credit program.

PRODUCT SPOTLIGHT

In times of rapid change and on-going uncertainty, monitoring the on-going predictiveness of scorecards and credit policies is essential. It is also a Regulatory Requirement ([see related article](#)). DecisionIntelligence, combined with DecisionStudio, supports the continuous performance monitoring of generic or custom scoring models.

Reports such as Performance, Stability and Characteristic Analysis are easily generated.



With DecisionIntelligence, Risk Management staff has the tools to anticipate appropriate corrections before adverse impacts on their business.

Benefits of DecisionIntelligence:

Easy to use Graphical User Interface

Full user control from the beginning to the end

Instant & automatic data loading due to full integration with GDS Decision Studio

Industry-standard & reliable analyses

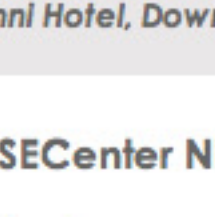
Build an unlimited number of indicators to be used in an analysis

Identify acceptance & rejection rates, bad rates, and amounts

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For questions, suggestions, or any additional information, contact us via: info@gdslink.com.



UPCOMING EVENTS

October 21st-23rd:

GDS Direct will attend **The World Consumer Credit Reporting Conference (WCCRC) 2012**, in Taipei, Taiwan

October 28th-30th:

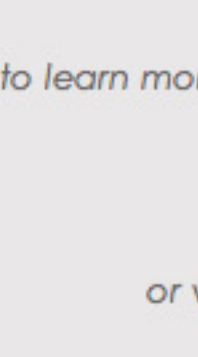
GDS Link will exhibit at the **Risk Management Association (RMA) Annual Conference**, at the new **Omni Hotel, Downtown Dallas**

CASECenter NEWS

Version(1.1.0) enhancements include:

- Ability to export a system to a zip file and import it back
- Support for time zones on a per user basis
- Revamping of the real-time reporting engine to include:
 - The support for a large number of statistical transformation to be applied to the time series, including: average, average below, average high, integral, derivative, standard deviation, logarithm, etc.
 - Sharable dashboard
 - Easier setup of metrics
- Support for modifiers, allowing for the setup of complex generations to make calculations between screens and map fields directly from within CASECenter. **Note: this feature will require the use of a scripting language.**
- Support for sortable columns in the queue editor (in other words, you can re-position your columns in the editor via drag/drop).

PARTNER SPOTLIGHT



Sociogramics

Return character & community to the core practices of Financial Institutions

Sociogramics provides **real-time screening and scoring** of online loan applications through our proprietary combination of emerging data sets and machine learning algorithms. Leveraging the rapidly increasing volumes of available data, Sociogramics has developed the next generation of identity verification with a focus on the **unique needs of subprime lenders**.

Benefits of Sociogramics' filters include:

- Lower acquisition costs** through reduced total data costs. We eliminate bad leads at a lower cost per lead than competing data providers.
- Identify fundable leads that are currently declined. **We help lenders identify lendable leads** that are otherwise declined using current industry standard IDV.
- Provide actionable information on lead channels. **We screen and flag** under and over performing lead channels in real-time.

Contact us today to learn more about how you can lower acquisition costs and improve your lead decisioning process

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INDUSTRY & ECONOMIC TRENDS: MODEL RISK MANAGEMENT

On April 4, 2011, **The Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency (OCC)**, issued a new set of guidelines regarding the management of model risk, **"Supervisory Guidance on Model Risk Management."**

This updated guidance applies to national banks, bank holding companies, state member banks and all other banks that have the OCC or FRB as their primary supervisory body.

GDS Link felt it would be valuable to highlight some of the key points found in our overview of the **"Supervisory Guidance on Model Risk Management,"** being that one of the key features of DataView360® is the **Implementation & Application of Scorecard Models**. Market research conducted by GDS Link, indicates currently that, model risk management is a key focal point for banks and consulting organizations.

According to the guidance, banks have, and continue to rely heavily on the use of quantitative analysis and models for financial decision-making. While these models bring significant benefits, such as: **increased productivity, more consistent application of corporate risk policies, and the removal of bias and subjectivity sometimes found in manual decision-making**—the use of such models does come with a cost; both direct and indirect.

Direct Costs: the cost associated with the resources needed to develop and implement these models.

Indirect Costs: the potential financial loss associated with using models that are out of date, or were not initially developed for the financial products for which they are currently being applied.

Given the heavy use of Risk Models, along with associated Direct & Indirect Costs, there is a need for financial institutions to implement and maintain processes that support the active management of potential model risk ("Supervisory Guidance on Model Risk Management," 1).

PURPOSE & SCOPE:

The guidance explains that the purpose of the document is to provide banks with a **comprehensive blueprint for effective model risk management**. Further defining rigorous model validation as being critical, sound development, implementation and on-going use remain just as critical. The guidance emphasizes that effective model risk management must also include governance, and control mechanisms including: board and senior management oversight, policies and procedures, controls and compliance, and appropriate incentive and organization structure (2).

OVERVIEW OF RISK MANAGEMENT:

The guidance defines **model** as: **"referring to a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data in quantitative estimates (3)."**

The use of models is explained further in-depth, as including these three key components:

Information Input
Processing
Reporting

MODEL DEVELOPMENT, IMPLEMENTATION & USE:

This guidance outlines the need for **"...disciplined and knowledgeable development and implementation processes that are consistent with the situation and goals of the model user and bank policy."** Further stressing that, the experience of the model builders can have a large impact of the quality of the model, and that the subjective judgment of model developers, that is part of the model development process, elevates the importance of a sound and comprehensive model risk management process (5).

Model Development & Implementation

Key points outlined include the need for:

- A clearly defined statement detailing the purpose for the model making sure its development is aligned with the intended use.
- Well-documented design, theory and logic underlying the model.
- Documented model methodologies and processing components with attention paid to merits and limitations.
- The rigorous assessment of data quality and relevance with related documentation.
- Having a sound testing process that demonstrates the models accuracy and stability over a range of input values (5-7).

Model Use

Once in production, utilization of the model provides the 'real experience' to test if the model is working correctly and to measure its performance over time as market conditions and model applications change. It is critical here for the model developers and business end users to work in tandem when evaluating these results. The guidance further explains that, **"Model users can provide valuable business insight during the development process."**

Additionally, the guidance cautions that, available reports that are used for business decision-making play a critical role in model risk management. Reports should be developed and frequently evaluated to measure a model's accuracy, robustness, stability and limitations (7).

Model Validation

The guidance defines **model validation** as follows: **"... the set of processes and activities intended to verify that models are performing as expected, in line with their design objectives and business uses."** It further highlights that all model components, including input, processing, and reporting should be subject validation. Expanding on this to not only include models developed by in-house personnel, but also those purchased from or developed under a contract with vendors or consultants (9).

Validation activities should continue on an on-going basis...with periodic reviews performed on at least an annual basis to ensure that each model is working as intended, continuing to ensure existing model validation processes are sufficient (10).

Governance, Policies and Controls

The guidance brings the added significance to the need for **"developing and maintaining strong governance, policies, and controls over the model risk management framework,"** in order to ensure its effectiveness. Additionally highlighting that, **"a strong governance framework provides explicit support and structure to the risk management functions..."(16),** key tenants in this regard include:

- The Board of Director and Senior Management
- Policies and Procedures
- Roles and Responsibilities
- Internal Audit
- External Resources
- Model Inventory
- Documentation

WHO WE ARE & WHAT WE DO

GDS Link, LLC is a global provider of Risk Management Solutions and Consulting Services for multiple verticals within the financial services industry including: **credit card, auto, alternative financial services, commercial leasing, and specialty lending.**

Our offerings are also utilized in **the retail, utilities** and **the telecommunications sectors**. Our industry leading solutions can support financial institutions throughout an entire credit lifecycle, from their credit initiation services through collections and recovery.

Our core offering, **DataView360**, as well as add-on solutions can be used for **process automation, application processing, decisioning, portfolio review, optimization, scorecard model development, implementation, and monitoring.**

GDS Link has a global staff comprised of individuals with a wide range of credit experience, having worked for multiple financial institutions, software companies and data bureaus.

For more information, please visit us at: www.gdslink.com

