

Client	The client is a Wholesale Banking Business Unit of an international banking group		
Project Name	Risk and Capital Reporting		
Project Start Date	January 2010	Project End Date	June 2010
Industry	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance	
	<input type="checkbox"/> Fund Custody & Investment Services	<input checked="" type="checkbox"/> Investment banking	
	<input type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management	
	<input type="checkbox"/> Retail banking	<input type="checkbox"/> Corporate	
Category of Service	<input checked="" type="checkbox"/> Performance measurement and monitoring	<input type="checkbox"/> Regulatory compliance and reporting	
	<input type="checkbox"/> Portfolio risk management	<input type="checkbox"/> Business process improvement	
	<input checked="" type="checkbox"/> Specialised risks	<input type="checkbox"/> Training and people change	
	<input checked="" type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation	
The Challenge	<p>The scope of the project includes a Wholesale Banking Business Unit (BU) of an international banking group. The BU was experiencing difficulties in identifying its portfolio accurately. As a consequence, the BU could not demonstrate fully a clear and defined quantifiable value added proposition to the Group. In addition, the business impacts of the lack of appropriate reference data included (i) overly conservative capital allocation, including a likely overstated RWA, (ii) difficulty in preparing risk and capital management information (MI) and validating the data, including KPIs, (iii) and inability to provide detailed credit data required for regulatory reporting purposes.</p> <p>The BU launched a Transformation Programme to address the wider data quality and data availability issues it faced. In this context, avantage was retained to:</p> <ul style="list-style-type: none"> • outline the draft methodology to quantify the BU’s value added; • deliver a tactical solution to provide the BU’s Executive Committee with timely risk and capital MI until such time that a strategic solution can be implemented; • deliver to the Transformation Programme the data requirements to develop the strategic solution. 		
Approach and Solution	<p>avantage led the project and delivered the following work streams:</p> <ul style="list-style-type: none"> • Work Stream 1: Provide advisory and implementation support to review the existing risk and capital MI provided to the Board; recommend and agree enhancements; and develop an enhanced Board Risk and Capital Pack; and • Work Stream 2: Review the existing credit and market risk reporting framework, including (i) governance, (ii) reporting, (iii) processes, (iv) data, and (v) analytics; recommend and agree enhancements; and implement these enhancements in a phased-in manner. <p>avantage worked with the key stakeholders, including members of the Executive Committee, Finance, Risk, and Operations, to agree the key risk and capital</p>		

	<p>metrics to report on.</p> <p>avantage then designed a Risk and Capital Executive Pack, including an ExCo Dashboard, a Value Added section (incl., loss mitigation, RWA usage, capital optimisation, etc.), a section on Portfolio Analytics (incl., limits and exposures (gross and post risk mitigation), stress loss information) as well as a section covering other risk types (e.g., operational, regulatory, business, etc.).</p> <p>After designing and agreeing a template Risk and Capital Executive Pack aligned with the BU’s risk and capital governance framework, we delivered a populated report to allow stakeholders to evaluate the actual usefulness of the report based on actual BU data. This tactical delivery crystallised a number of improvement opportunities and stakeholder preferences, resulting in a robust report, factoring in data quality and availability legacy issues.</p> <p>After running the report in tactical mode (SAS) for three months, avantage supported the development of a strategic solution (proprietary system) with the BU It team to ensure the sustainability and robustness of the reporting function.</p>
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Results and Benefits	<ul style="list-style-type: none"> • Enhanced monitoring of the strategic objectives for the BU; • Enhanced monitoring and decision making to ensure that the BU operates within its approved risk appetite; • Measurement of the BU’s added value for the Group; • Increased focus on risk and capital metrics, i.e. less of an exclusive focus on accounting metrics, resulting in more risk-based decision making..
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Software used	Proprietary credit risk systems, proprietary RWA calculation engine, SAS
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