

Client	The client is a Wholesale Banking Business Unit of an international banking group
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Project Name	Risk Data Management Information (MI) and Reporting
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Project Start Date	November 2010	Project End Date	January 2011
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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 included a Wholesale Banking Business Unit (BU) of an international banking group. The BU was experiencing difficulties in meeting the required level of data accuracy in line with regulatory requirements. There was also a broader initiative to allocate capital in line with a risk adjusted performance measurement metric. The project needed to identify and engage with the various Stakeholders regarding their role and responsibility for data management. In addition there was a business impact resulting from a lack of appropriate quality controls around risk data including (i) overly conservative capital allocation, including an 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, advantage was retained on a specific Risk Data MI and Reporting work-stream (as part of a broader work programme) to:</p> <ul style="list-style-type: none"> • Identify priority risk data, and for that data to: • Identify Stakeholders; and • Engage with those Stakeholders as to their role and responsibility in data input and transformation referring to both regulatory and business drivers for improvement.
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Approach and Solution	<p>advantage led the work-stream and delivered the following:</p> <ul style="list-style-type: none"> • A Workshop to discuss the current operating model for front to back delivery of key risk data. Whilst the outcome from the Workshop indicated a clear willingness to engage around improving data quality there was a lack of clarity of what needed to be done, by whom, and when; • Working with Stakeholders to capture the front to back process for the
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	<p>capture of Loss Given Default (LGD) and Probability of Default (PD), from point of input to analysis and reporting;</p> <ul style="list-style-type: none"> • Identification of improvements to the control and reconciliation framework for data quality and management <p>avantage worked with the key stakeholders, including members of the Executive Committee, Finance, Risk, and Operations, to agree the priority risk data on which to report, more specifically LGD and PD data. This category of risk data was chosen building on an earlier data quality remediation work-stream that had identified and delivered significant RWA savings. These savings demonstrated a clear benefits business case from data quality improvement.</p> <p>avantage then designed a template for the front to back capture of the data and transformation process for LGD and PD for each business unit. At each stage, the following information was captured:</p> <ul style="list-style-type: none"> • Data inputs and why these were important (regulatory and or business driver(s)); • Data outputs, including how the data is used and by whom in support of enhanced business decisions; • Control and reconciliation (current state and future state) points, including a description of the control point, who has responsibility for this, and when (in the process); and • The measurement and reporting for the control points (future state) <p>After designing and agreeing a template, we delivered a summary of the control and reconciliation gaps, the actions which had been successfully delivered in closing some of these gaps (recognising the resources and attention devoted by the business divisions to address gaps, and, to leverage examples of good practice across the BU), and, the gaps which remained. For the remaining gaps advantage developed a high-level action plan to address these and to discuss with Stakeholders. The action plan included strategic options (such as a re-development of the existing operating model for Credit) to tactical solutions (such as delivery of pro-forma exception reports and early data quality indicator reports). The outcomes of the engagement included communication of the future state for data quality management with senior Stakeholders and with the BU Design Authority.</p> <p>avantage have been retained in an advisory basis for the period of handover and liaison with senior Stakeholders to the project, including the articulation of “what good looks like”.</p>
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Results and Benefits	<ul style="list-style-type: none"> • Enhanced communication and understanding between the respective Stakeholders of the importance of improving data quality and of the controls which would further improve this; • Enhanced measurement and reporting to ensure that the BU delivers the agreed data accuracy targets required for business and regulatory purposes; • Measurement of the BU’s (risk adjusted) performance through enhanced data quality measurement; • 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
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