

Client	The client’s parent entity, a bank headquartered in Europe, is a leading global wealth manager, top tier investment banking and securities firm, and one of the largest global asset managers. The specific client in this case is the Chief Financial Officer of the UK subsidiary.
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Project Name	Basel II, Pillar 2 (ICAAP) Development and Execution
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Project Start Date	December 2006	Project End Date	May 2007
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Industry	<input type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<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 checked="" type="checkbox"/> Regulatory compliance and reporting
	<input checked="" 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 type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	<p>Pillar 2 of the Basel II Accord requires banks to implement an Internal Capital Adequacy Assessment Process (ICAAP). avantage was engaged to document and communicate the ICAAP process for a UK subsidiary of the Investment Bank.</p> <p>The Financial Services Authority, the UK financial services regulator, had requested the client to produce their approach to ICAAP. Short notice and tight deadlines led the client to engage external assistance with prior experience to accelerate project delivery. The brief was to assist develop an ICAAP approach that was sufficiently robust to not only withstand critique from the FSA but also to satisfy the parent bank and its regulators.</p>
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Approach and Solution	<p>The project was broken into two work streams: the first to meet the regulators deadline; and the second to address gap-closing actions.</p> <p>avantage consultants reviewed the state of readiness of the client in terms of the FSA's key ICAAP requirements. Current gaps were identified and gap-closing options determined. Key FSA requirements were referenced and mapped to each gap-closing action to provide an audit trail to closure. The deliverables were: to present the strategic approach to capital adequacy at various workshops; to validate findings; and obtain stakeholder buy-in to actions to deliver the agreed “future state”. avantage consultants then assisted with presenting the ICAAP process and Roadmap to the FSA for assessment.</p> <p>The tactical work stream involved addressing the gaps identified by the earlier work stream. It also included the drafting of the ICAAP document which involved engaging senior stakeholders within Finance, Risk, Legal, Business, and the Board of Directors</p>
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	<p>with regards to the proposed solutions. Representatives of the client’s parent entity were also engaged.</p> <p>ICAAP workshops were prepared and conducted with the aim of validating the content of the ICAAP document. The workshops were also used to verify the completeness of the gap closing and validity of the solutions proposed in the original ICAAP approach.</p> <p>The ICAAP included: identification of all risks inherent in the client’s business; methods used to mitigate each material risk; definition of test scenarios and management actions if these scenarios materialise; and an agreed risk management framework and governance.</p>
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<p>Results and Benefits</p>	<p>avantage delivered a robust ICAAP approach that was accepted by the FSA. The approach formed the basis of a successful ICAAP implementation with clearly-defined options to close any existing gaps. Home-host issues were addressed with the parent bank and its regulators. Both of these stakeholders were satisfied with the approach and solutions proposed by avantage.</p> <p>Staff at all levels and areas within the organisation formed closer relationships as result of collaboration on a complex document spanning all functions and capturing a single view of the UK subsidiary.</p> <p>The engagement was completed within the aggressive timelines set and within budget.</p>
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<p>Software used</p>	<p>Not applicable.</p>
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