

Client	The client is a major Irish Bank in the commercial and retail banking market.
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Project Name	Basel II Credit Risk implementation
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Project Start Date	March 2007	Project End Date	August 2007
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Industry	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Investment banking	
	<input type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management
	<input checked="" type="checkbox"/> Retail banking	
		<input type="checkbox"/> Corporate

Category of Service	<input type="checkbox"/> Performance measurement and monitoring	<input checked="" type="checkbox"/> Regulatory compliance and reporting
	<input type="checkbox"/> Portfolio risk management	<input type="checkbox"/> Business process improvement
	<input 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>The Irish Financial Regulator (the “Financial Regulator”) required the client to implement a new credit risk capital calculation policy based on the European Capital Requirements Directive (CRD). The client’s strategy was to implement the reporting of Risk Weighted Assets (RWA) under the CRD Foundation Internal Ratings Based Approach (FIRB). This required an application to and approval of this methodology from the Financial Regulator. The implementation represented significant change in the organisation. A programme of change was needed to design and implement new systems, risk models, policies, procedures and processes to manage.</p> <p>avantage was engaged to support this large programme in two key areas:</p> <ul style="list-style-type: none"> • Drafting and delivering key sections of the client’s application pack for approval to use the FIRB approach; and • Project management of key workstreams, including: <ol style="list-style-type: none"> a) Regulatory submissions, b) Project documentation, c) ICAAP submission, and d) Regulatory advice.
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Approach and Solution	<p>The Financial Regulator provided a detailed template as a basis of all material that was required in the application pack. The role involved gathering key documents (policy, procedures, processes) relating to the completion of the pack. Documentation was reviewed for compliance against CRD FIRB requirements and mapped against application pack sections. Some testing of processes and procedures under implementation was also carried out.</p> <p>A key deliverable was the drafting and completion of the application pack for submission to the Financial Regulator with a library of supporting documentation providing evidence of compliance with CRD.</p> <p>The project workstreams revolved around the objectives of designing, validating and</p>
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	<p>implementing new credit risk models that would enable the client to achieve FIRB status. Key workstreams included:</p> <ul style="list-style-type: none"> • Gap analysis and compliance gap closure relating to CRD, • Credit Risk model development gaps, and • Creation and management of a document library (policy, procedures FIRB supporting evidence). <p>Project management activities included engaging with senior programme executives to ensure the project workstream deliverables and objectives were met. This was achieved through specialist knowledge of regulatory requirements. A key part of the role was to provide advice and guidance on engaging with the Financial Regulator throughout the life cycle of the project. This was critical in ensuring that the regulators were engaged continuously throughout the application process thus mitigating any objections or conditions to approval of the FIRB approach being granted.</p> <p>In addition, the role called for guidance on a quantitative basis for the approach and validation of credit risk models under development.</p>
<p>Results and Benefits</p>	<p>The FIRB application pack was delivered to the Financial Regulator on time and after a period of review the FIRB approach was granted to the client.</p> <p>The assets created during the project such as the documentation library were successfully transferred to Business as Usual and form a core part of the governance of the Credit Risk methodologies employed by the client.</p>
<p>Software used</p>	<p>Not applicable.</p>