

Client	The client is the wholesale division of the one of the world's top 10 financial services Groups. This division is a leading banking partner to major corporations and financial and governmental institutions around the world, providing an extensive range of debt, risk and investment services; and is the largest provider of banking, finance and risk management services to UK corporate and commercial customers.
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Project Name	Basel II Gap Implementation Planning
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Project Start Date	September 2006	Project End Date	February 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 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>Initiated as a result of its Waiver Application Process (WAP) for Advanced Internal Ratings Based (AIRB) status, the wholesale division established an urgent requirement to improve its credit risk mitigation (CRM) framework.</p> <p>The primary goal of the project was to ensure the division was able to demonstrate to senior management and external regulators that a consistent approach to CRM management and enforcement was in place. These practices needed to be appropriately reflected in the credit risk estimates – Probability of Default, Loss Given Default and Exposure at Default. For this reason, advantage was tasked specifically with:</p> <ul style="list-style-type: none"> • ensuring CRM policy, based on sound credit stewardship, existed across the division; • ensuring Legal policy, specifically legal enforceability, existed across the division; and • ensuring the above policies are embedded across the division’s businesses.
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Approach and Solution	<p>Based on the outcome of the current state assessment gaps (i.e., where implementation differed from regulatory requirements), advantage consultants scoped a pragmatic approach to close these gaps. It was also a priority of the team to ensure the division was delivered not only an immediate solution for the purpose of the WAP but similarly a framework for carrying forward good practices into the future.</p> <p>By engaging with the subject matter experts in credit management, front line, credit risk models developers and IT systems owners, advantage was able to help develop and distil relevant CRM policies and procedures which were able to be implemented, maintained and monitored using where possible, existing Business as Usual (BAU)</p>
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	<p>processes and IT functionalities.</p> <p>During the course of the project, the team highlighted the need to join up various processes to ensure information regarding CRM was communicated in an efficient and effective fashion. The team identified cross-functional, dependent processes and ensured a process was implemented to manage these in the BAU environment.</p>
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<p>Results and Benefits</p>	<p>The division was able to close the CRM WAP gaps, which contributed to the achievement of the client’s advanced status. The project team was able to solve long-outstanding interpretation issues regarding CRM regulatory rules. By presenting a pragmatic approach to compliance, the project removed the need for a complete redesign of the division’s risk parameter calculation methodology. The project team ensured division-wide consultation of draft CRM Policies was completed, enabling expedited implementation into BAU procedure. Finally, by identifying the policy, process, system and model dependencies for ongoing compliance with the CRM policies, the team was able to guide the division to a realistic and achievable CRM framework and not simply a quick fix solution.</p>
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<p>Software used</p>	<p>Not applicable.</p>
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