

Client	The client was a mid-sized European-based bank with corporate and retail banking operations in a number of countries across Europe, Asia and the Americas, including the UK, and investment banking operations centred mainly in the UK.
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Project Name	Basel 2 Credit Risk data integration / Common Reference Data implementation
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Project Start Date	December 2004	Project End Date	July 2007
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Industry	<input checked="" 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 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 checked="" type="checkbox"/> Data Quality	<input checked="" type="checkbox"/> System selection and implementation

The Challenge	The client selected a third-party software product to carry out RWA calculations under the Basel 2 Advanced IRB method, and asked avantage to develop an approach to integrate data from a wide range of source systems, including front-office systems, regional data warehouses and reference data sources, in order to provide the input required by the RWA calculator. In addition, there was a requirement to deliver calculated outputs back to various business units to support local information needs and local reporting. The selected software package incorporated an internal data validation mechanism, use of which made direct loading of the package’s database via a standard ETL tool impractical. From the outset, because of the wide range of data sources, spread across many locations and many different systems, avantage identified the lack of reference data standardisation and reference data governance across the organisation as a critical issue.
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Approach and Solution	In order to address the lack of reference data standardisation and data governance group-wide, we escalated the critical importance of this issue to the Basel 2 programme manager and secured budget to solve it. We identified a reference data working group that had been established as part of the Group Finance organisation, and persuaded them to take ownership of the problem. Within three months avantage consultants had established a central reference data platform with a ‘federal’ architecture so that it could leverage existing golden reference data sources without duplicating them. avantage worked with the client to create a reference data governance framework and data management process, including rigorous change management and clearly-defined data ownership, stewardship and stakeholder concepts. Within a year, avantage had built sufficient support for the approach and arranged for it to be adopted bank-wide. Business units were then obliged as a matter
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of bank policy to make use of the standard reference data when exchanging data with Group or with other business units.

avantage designed data loading and data extraction components that could interact directly with the third-party RWA calculation tool, and worked with the client to define standard input and output data interface specifications to support the data loading and extraction, incorporating the standard reference data domain definitions that we had established. The specifications supported data integrity checks so that data quality controls could be implemented prior to loading, with diagnostic outputs on failure. Data integrity checks included compliance with the adopted reference data domain definitions. The resulting data integration toolset allowed for data repair locally or repair and resubmission from source.

Results and Benefits The group-wide common reference data framework was adopted by the bank, and leveraged widely, not only within but outside the original Basel 2 credit risk arena; it was adopted for example as part of the new financial reporting architecture of the bank.

The data integration toolset and the associated standard input and output data interfaces for Basel 2 credit risk was successfully implemented group-wide as part of the Basel 2 programme.

Software used MS Office, Visio, Oracle