

Client	Global Banking Market Institution (London)
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Project Name	Basel II Credit Risk Mitigation Policy
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Project Start Date	December 2006	Project End Date	February 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 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 checked="" type="checkbox"/> Training and people change
	<input type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	<p>The Basel II Credit Risk Mitigation policy project was initiated to embed a policy which reflects the institutional process and Risk Weight Calculation toward Credit Risk Mitigation.</p> <p>As there are multiple CRM techniques available and many products this institution caters for in their Global Markets Division, the Client needed to ensure business processes and capital calculation processes for all products and risk mitigation techniques were covered in a new policy. There was a key focus within the business on using collateral as a mitigation technique. Furthermore, all policy requirements were to comply with the UK interpretation of Basel II.</p> <p>The Client asked advantage to create the above CRM policy and a framework for its implementation and ongoing maintenance.</p>
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Approach and Solution	<p>Initially, advantage developed a suitable framework to assist with policy development and future enhancements. This included the preparation of detailed business CRM procedures and aligning all policies with the group’s terms of reference.</p> <p>Once the governance was established, advantage developed a straw man for the new policy, building on the existing policies and the UK FSA regulatory requirements.</p> <p>A key new requirement related to “legal certainty”. As such, advantage worked closely with the Client’s legal department to ensure a consistent interpretation of Basel II requirements.</p> <p>The straw man policy was discussed with various representatives from the</p>
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	<p>business, finance and risk functions, mainly using workshops and facilitation techniques. The same forum was used to gain approval for implementation in the various departments.</p> <p>Finally, avantage consultants documented in details the above framework to ensure that future changes will be appropriately handled and communicated.</p>
<p>Results and Benefits</p>	<p>The clear, comprehensible and wide-reaching CRM policy document was produced and formally agreed to by the relevant business stakeholders. The policy was developed to ensure that the Global Markets Division was compliant with both Basel II CRM and the Group's regulatory requirements.</p> <p>The success of the implementation of the policy was reflected in the approval received by the FSA to use the CRM in the Bank's loss given default estimates, which in itself, led onto a significant capital reduction.</p>
<p>Software used</p>	<p>Not applicable.</p>