

Client	The client is the French subsidiary of a large European banking group. The primary focus of the client is private banking and corporate lending.
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Project Name	Basel II, Pillar 1 Reporting Analysis
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Project Start Date	April 2008	Project End Date	December 2008
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Industry	<input type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Investment banking	
	<input checked="" type="checkbox"/> Private banking	<input checked="" type="checkbox"/> Asset and wealth management
	<input type="checkbox"/> Retail banking	
		<input checked="" type="checkbox"/> Corporate

Category of Service	<input checked="" 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>Pillar 1 of the Basel II Accord requires banks to maintain sufficient levels of regulatory capital to meet risks clustered around three areas; credit, market and operational risk. These areas are enhancements on Basel I risk measures allowing financial organisations to either use standard measures or internally developed advanced risk measures. The implementation of pillar 1 is an ongoing process where banks must show continuous improvement in their risk measures and capital allocation.</p> <p>The initial challenge was to provide the client with timely analysis and reporting figures. Following month end, the on- and off-balance-sheet exposures must be reconciled to transactions to ensure appropriate treatment under the old and new rules. Differences between the two approaches must be highlighted and explained. One of the key areas where the bank was having difficulty in explaining was the valuation/usability of its collateral.</p> <p>A second phase of the project is to complete iterations of the process to streamline data extraction, analysis and reporting.</p>
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Approach and Solution	<p>The initial phase of the project required onsite field work to gain as much knowledge of procedures and results. This consisted of shadowing the Basel II reporting team, interviewing relevant support staff, reviewing systems and their use and identifying any relevant documentation.</p> <p>Following this, several iterations of the reporting cycle were performed to ensure that procedures met both internal and regulatory requirements. Further to this, Basel II risk-weighted-asset (“RWA”) figures had to be verified to ensure that the new Basel II</p>
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	<p>approach was not consuming more working capital that under the Basel I rules.</p> <p>Following successful completion of several reporting phases where the results presented to Group reporting demonstrated continuous improvement from period to period in the underlying data quality, the overall Basel II RWA figure, and the speed of processing; a new phase could begin.</p> <p>This involves working with both reporting and IT to streamline the processes. Where numerous data extracts are manually reconciled prior to analysis and reporting, avantage assists the Bank in making this process less onerous.</p>
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Results and Benefits	<p>Several Basel II reporting periods have been completed demonstrating a steady improvement in the speed of reporting and the accuracy of the numbers reported. Further to this several underlying data quality issues where records were rejected from the processing platform or were misclassified have been resolved to the satisfaction of Group.</p> <p>These improvements allow the various teams involved including reporting and collateral management to move steadily from “fire control” to more strategic planning and development of new processes and systems so that the Bank can meet challenges arising out of the new environment it finds itself in.</p>
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Software used	Not applicable.
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