

Client	The client is an international bank with European roots with a clear focus on consumer and commercial clients in some key local markets and a global focus on select multinational corporations and financial institutions, as well as private clients.
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Project Name	Economic Capital Calculation and Management Data
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Project Start Date	June 2007	Project End Date	December 2007
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Industry	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Investment banking	
	<input checked="" type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management
	<input type="checkbox"/> Retail banking	
		<input type="checkbox"/> Corporate

Category of Service	<input checked="" type="checkbox"/> Performance measurement and monitoring	<input checked="" type="checkbox"/> Regulatory compliance and reporting
	<input checked="" 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 type="checkbox"/> System selection and implementation

The Challenge	<p>avantage was asked to manage a Basel II-related business analysis function, including data analysis, within the scope of the Pillar 2 process, particularly the calculation of Economic Capital (EC).</p> <p>The underlying aim of the Pillar 2 process is to enhance the link between an institution’s risk profile, its risk management and its capital management. The Internal Capital Adequacy Assessment Process (ICAAP) achieves this aim.</p> <p>A number of elements that comprise the ICAAP were already in place. The Pillar 2 project, as part of the Basel II programme, was assigned to formalise these elements and to ensure that the client complied with the Pillar 2 requirements.</p>
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Approach and Solution	<p>Three advantage consultants provided the core of the following functions:</p> <ul style="list-style-type: none"> • Creation of a functional design of a solution to deliver non-retail Pillar 2 Credit Risk data for EC calculations; • Analysis of data from all business units (BUs) and representation on behalf of BUs at project management meetings; • Key involvement in the migration of the current EC calculation processes to a Basel II compliant data platform for credit risk; • Introduction of the Pillar 2 Key Performance Indicators (KPIs) to determine the suitability of data for the Pillar 2 project and ongoing data measurement in conjunction with existing Pillar 1 KPIs; • Creation of the data validation framework and large exposure reporting. • Ongoing data analysis to test data suitability for EC calculations and to raise key data quality; • Creation of the monthly Data Quality memos to summarise and report key data
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	<p>quality issues based on business requirements;</p> <ul style="list-style-type: none"> • Project representative in the Common Reference Data (CRD) governance and change request processing; and • Ad-hoc assistance to project management and the Basel Steering Committee and Stakeholder meetings.
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Results and Benefits	The designs and initiatives developed by advantage consultants and are conducive to compliance with Pillar II requirements.
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Software used	Microsoft Access and TOAD (via Oracle).
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