

Client	The client is an international bank with European roots with a 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	PD and LGD Model Re-Rating
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Project Start Date	December 2008	Project End Date	February 2009
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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 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 type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	<p>Following the acquisition of a large credit portfolio from another banking institution, the Client has undertaken a complex credit integration programme where, amongst others, a key driver is the need to create a global Basel II compliant organisation.</p> <p>The FSA has requested that the creditworthiness of all acquired counterparties be re-rated/re-graded using the approved rating and grading models of the Client, and that this re-rating/re-grading activity be carried out sooner than the BAU annual review schedule foresees.</p> <p>The re-rating/re-grading effort had to take into account various scenarios and recommend the most efficient option. This analysis formed the basis for discussions with the FSA.</p>
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Approach and Solution	<p>avantage defined a series of PD and LGD re-rating/re-grading scenarios and determined necessary inputs into the models. Given gaps in data availability in some areas a series of assumptions were made and validated with the business and credit department in order to build plausible scenarios in support of decision-making processes.</p> <p>Following consultations with all the teams involved in the re-rating activity, effort estimates were produced and fed into a flexible model for scenario analysis. Results were presented to the Client management team to support their discussions with the FSA and the effort estimates were subsequently fed into the regional teams involved in re-rating and re-grading activities to assist in their</p>
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	planning for additional efforts to support their BAU activities.
Results and Benefits	<p>The Client used the results of the analysis to comply with the FSA requirements. The Client was provided with all the supporting data to enable them to agree with the FSA the rules by which the re-rating activity was to be conducted.</p> <p>The Client was also able to understand in details the effort required by teams and regions and to incorporate it into their own plan.</p>
Software used	Not applicable.