

BCBS239

Practical Implementation Issues



Introduction to Avantage Reply



A Pan-European Risk, Regulatory and Treasury Consultancy

2004 Established in 2004, Avantage Reply is a pan-European specialised management consultancy delivering change initiatives in Operations, Risk, Finance (Capital Management and Regulatory Reporting) and Treasury.



Rapidly Growing Pan-European Firm

Avantage Reply employs 200 consultants within our **13** offices across Europe and the UK.



200 consultants who typically have a minimum of **6 years** of experience in Financial Services.



Member of the **Reply Group**, a publicly-listed group, with US\$ 750 million in sales, employing 4,400 consultants and technology-delivery service professionals.



Outstanding Credentials in Financial Services

Proven Credentials



Our clients are large international financial institutions as well as specialised financial services Business Units within international groups.



Delivery capabilities covering Advisory Services, Project Management, Business and Functional Analysis, Data Analysis.



Delivery capabilities spanning across consulting (Avantage Reply) and technology (Reply Group).

Specialised Management Consultancy

Operations, Risk,
Finance, Treasury

Retail & Corporate Banking
Investment Banking &
Capital Markets

ABN Amro, Rabobank, Argenta, Belfius, BNP Paribas, Delta Lloyd, Deutsche Bank, ING, IntesaSanPaolo, KBC, RBS, Société Générale, Unicredit

Regulatory Expertise

Investment Management
&
Investment Services

BPSS, BNY Mellon, CACEIS, RBC, State Street, etc.
Alliance Bernstein, MAN Group, Rothschild, etc.

Risk Change & Technology

Post-trading
Service Providers

Clearstream, Euroclear, etc.



Proven track record in delivering pragmatic solutions to our clients.



Operate in small delivery-focused teams in collaboration with the client to ensure transfer of knowledge.

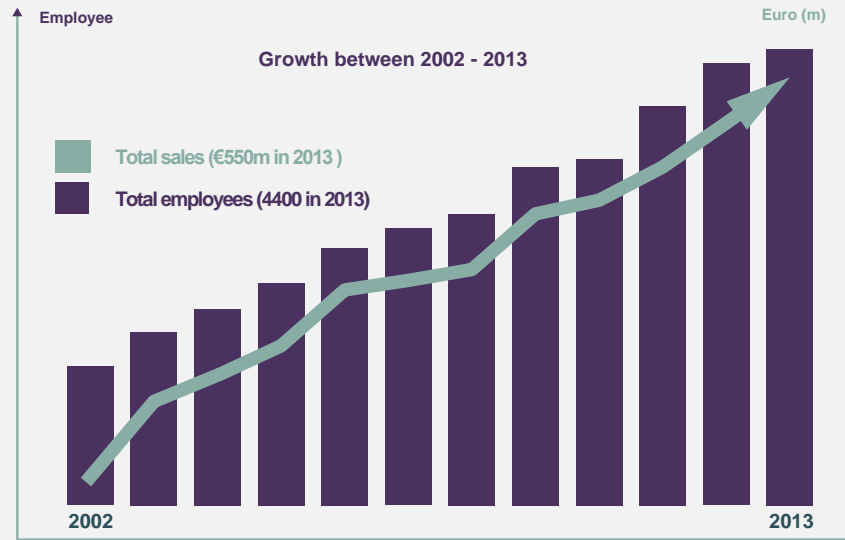


End-to-end Delivery Capabilities within a Half-a-Billion Euro Group

Since early 2011, Avantage Reply has been a member firm of the Reply Group, a pan-European group specialised in consulting, systems integration, service management and business process outsourcing. As such, Avantage Reply can provide clients with support from the initial phase of the project to its completion, including technology and operational implementation, if required.

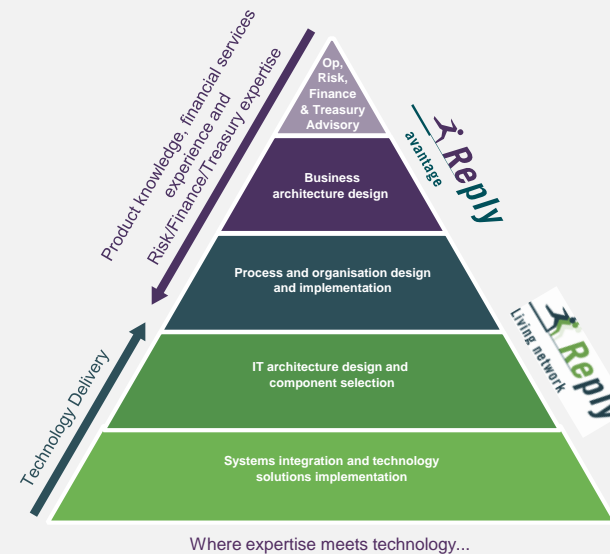
Overview of the Reply Group

- Pan-European publicly-listed Group, established in 1996, with offices in 19 European cities, Brazil and the US.



End-to-end Delivery Capabilities

- Avantage Reply and the Reply Group bring clients product knowledge and financial services experience coupled with technology delivery capabilities.



Agenda

BCBS 239: Context, Implication and Measures

Importance of efficiency, speed and agility

Key challenges: Governance, Infrastructure, Data Quality and Reporting



BCBS 239: Context, Implication and Measures

BCBS 239

- Accurately and reliable risk data
- Complete and up-to date
- Reporting to the right people at the right time
- Flexibility and ad-hoc reporting, also in periods of stress or crisis

Scope

- G-SIBs
- D-SIBs, three years after designation

Context

- Focus on Risk Information Technology
- Ensure adequate decisions can be taken, in time
- Lessons learnt from the crisis in 2007:

*“banks’ information technology (IT) and data architectures were inadequate to support the broad management of financial risks”**



BCBS 239: Context, Implication and Measures

Implication

BCBS 239 requires implication from the institution as a whole and a complete review of the reporting process, data quality and data infrastructure.

Key Implications

Governance

- Robust governance arrangements

Infrastructure

- Fully documented
- **The lineage of risk data** must be fully understood.
- **Flexible**, ensure possibility to aggregate at different levels
- **Manual interventions** should be limited
- **Resilient** to change

Data Quality

- Data Quality must be a **board-level issue**
- Accurate and reliable

Reporting

- Convey the **right information**
- Comprehensive, clear and useful
- Reconciliation on trade level

Drastic Measures

Principle 13:

Supervisors should have the ability to use a range of tools, including Pillar 2.

- *Require immediate action from institution*
- *Require independent review (e.g. External Audit)*
- *Capital add-on*
- *Limit bank's growth*
- *Limit business venture and acquisitions*

Institutions must be prepared to periodically prepare **progress reports** for the supervisors.



Agenda

BCBS 239: Context, Implication and Measures

Importance of efficiency, speed and agility

Key challenges: Governance, Infrastructure, Data Quality and Reporting



Importance of efficiency, speed and agility

Enable management to rely on information

Increase value of actions
Improve financial sustainability
Reduce exposure, if needed
Identify opportunities

Opportunities

- **Employee satisfaction** - reduce constraints on end-users and personnel
- **Risk cost reduction** – capital requirements reflect the reality of the business
- **Operational cost reduction** – manual interventions are reduced
- **Appropriate decisions** can be taken at the right time



Prepare for Supervision

- Enable the institution to **provide evidence** for the Supervisory Review and Evaluation Process (SREP)
- Prepare for **AnaCredit Project** (Analytical System on Credit)
2014 ESCB statistics work programme
“will start working on setting up an analytical credit and credit risk dataset, planned to be finalised in 2016”.



Agenda

BCBS 239: Context, Implication and Measures

Importance of efficiency, speed and agility

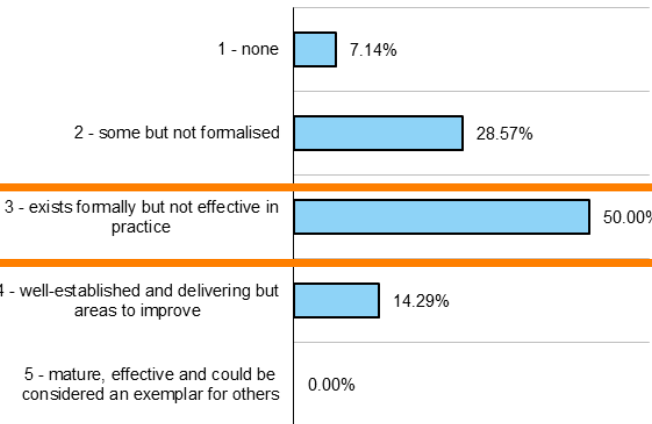
Key challenges: Governance, Infrastructure, Data Quality and Reporting



Key challenges – Governance

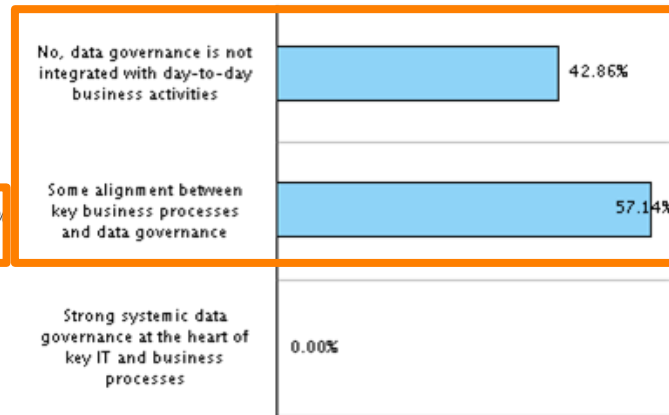
Survey on Data Governance in Banking

Data Governance Maturity Self-Assessment



Not in practice

Data Governance Integration



Data governance aligned with business processes

Data Governance Enablers

1	Stronger executive support
2	Better articulation of business benefits
3	Tighter integration with business processes
4	Closer management of data governance KPIs
5	Better use of tools, policies & frameworks

Executive support

Tools

A diverse collection of tools are in use across the banks to manage Data Governance and Data Quality. Broader suites that feature include those from IBM, Informatica, SAS/Dataflux and Trillium, alongside niche Data Governance products such as Collibra and Diaku Axon.

By far the most common tool used to support Data Governance was, however, **Microsoft Excel**, with a heavy reliance on **manual information gathering**, analysis and reporting present in many of the banks.

Conducted by Glue Reply in conjunction with DAMA UK, the UK Chapter of the international Data Management Association. Nearly 20 banking organisations across Retail, Commercial and Investment Banking were polled during 2013 through a combination of 1-1 interviews and an online questionnaire.



Key challenges - Infrastructure

Infrastructure

- Fully documented
- The lineage of risk data must be fully understood.
- Flexible, ensure possibility to aggregate at different levels
- Manual interventions should be limited
- Resilient to change



- Investment in IT infrastructure is not a choice
- Management must understand the demands and invest
- Business strategy will be impacted
- Bank's personnel must be strongly involved

Solutions exist

IT infrastructure

Pros

- Ensures BCBS 239 compliancy is included in all functional and technical requirements

Cons

- Cost and implementation time, risk
- Data lineage or lifecycle
- Risk and finance alignment
- Additional projects are needed (DQ..)

Data Warehouse

- Access to all information, on non-aggregated level

- Implementation time
- Feasibility will depend on aligned data taxonomy
- Data for different needs cannot always be linked

Big Data

- Access to all information, on non-aggregated level
- Short implementation time
- Flexible

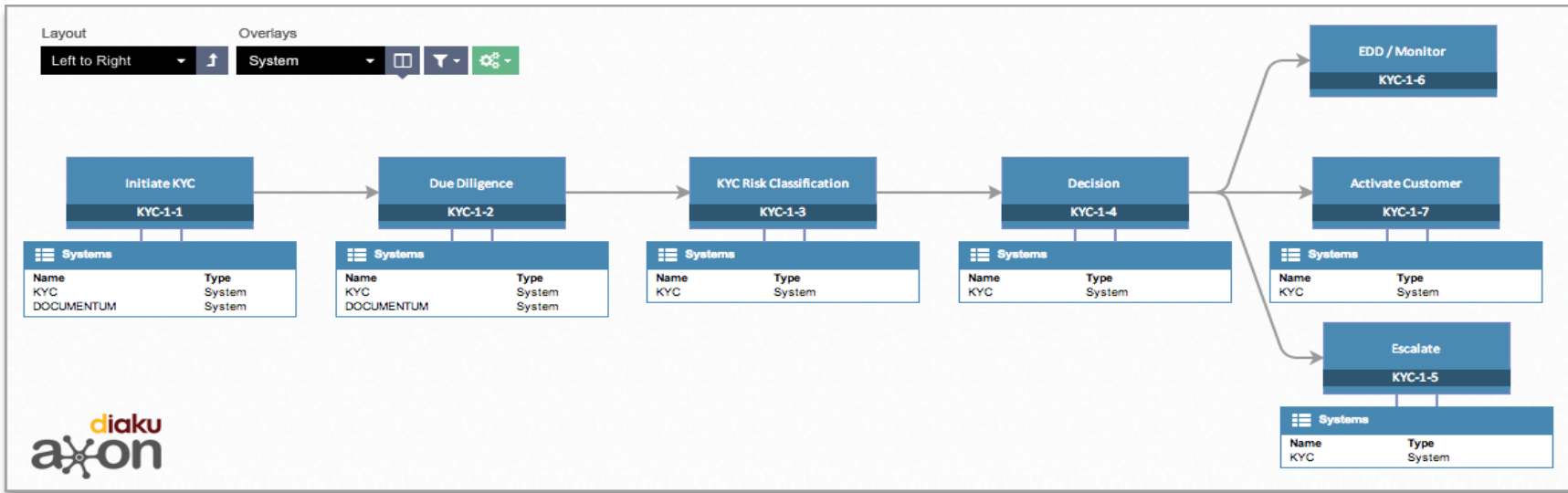
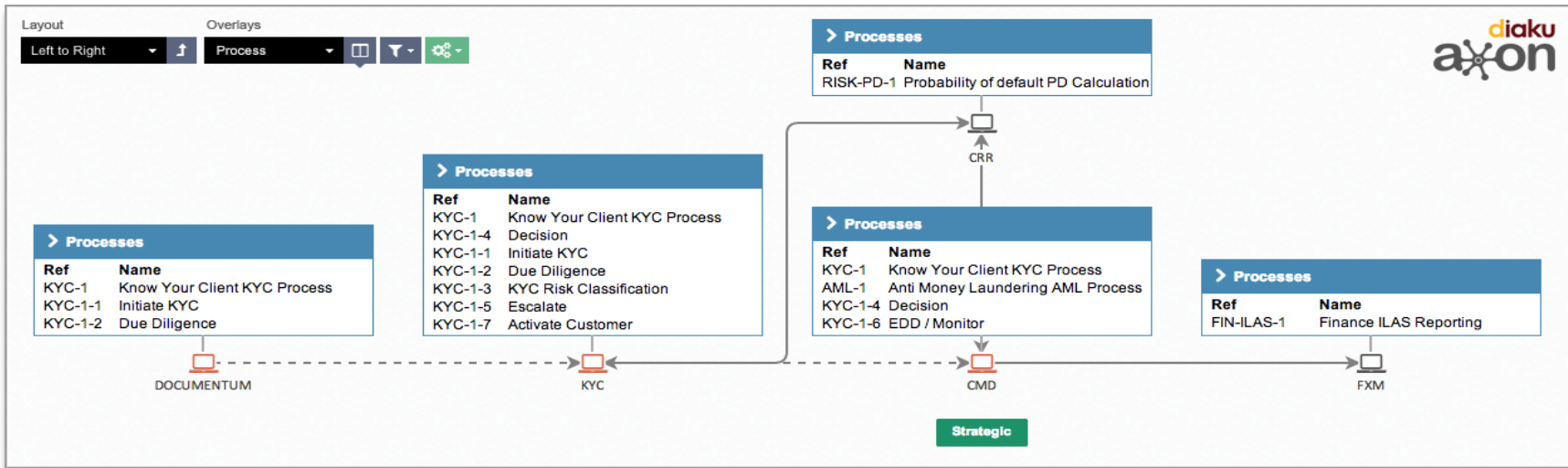
- Feasibility will depend on aligned data taxonomy
- Additional projects are needed (DQ..)

Cost

Implementation time



Innovative solutions on the market



Key challenges – Data Quality

Data Quality

Data Quality becomes a board-level issue
Every investment on IT infrastructure will only deliver if data quality is ensured



Additional controls must be put in place

Often at the expense of automation and flexibility

People must be accountable – Employee awareness

*Governance must be reviewed and change management must be initiated
Appropriate conclusions must be taken*

Shortcuts must be reduced to a minimum

Central defaulting rules must be reviewed and reduced



Employee involvement is the key

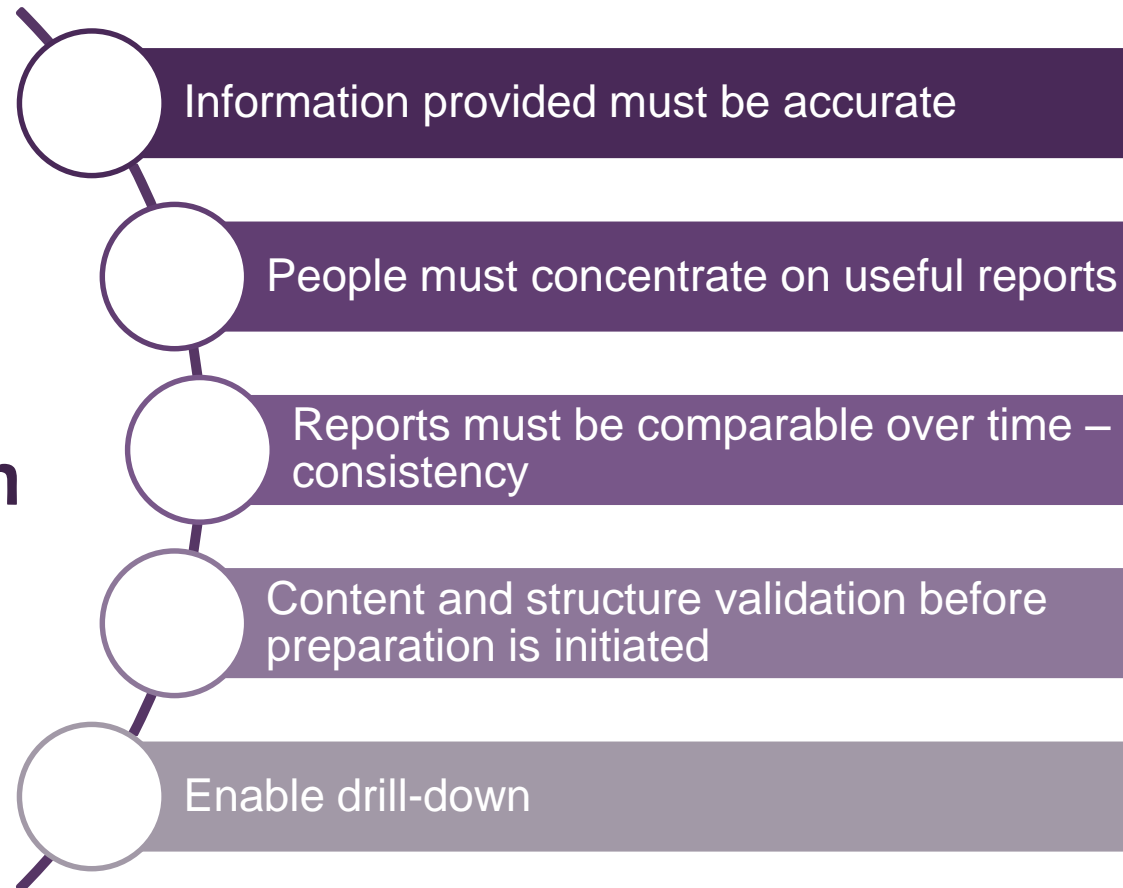


Key challenges - Reporting

Reporting

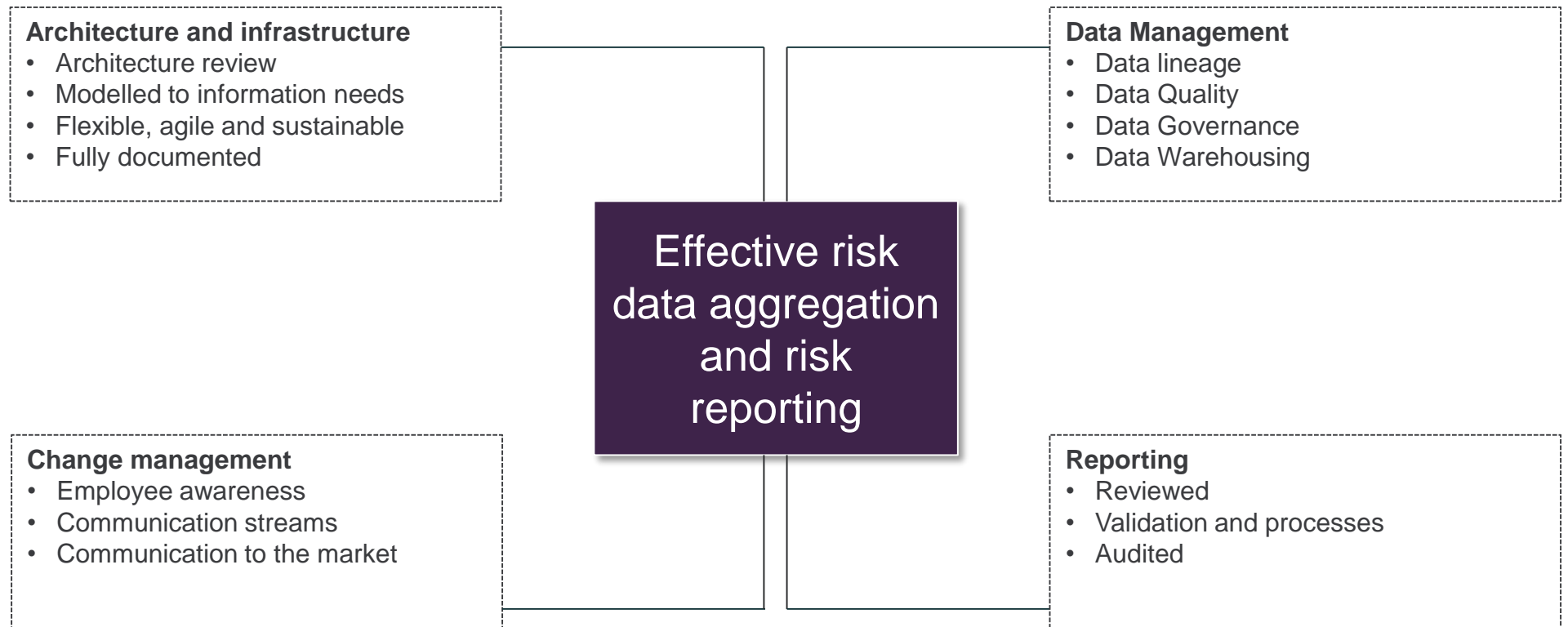
Internal and external reporting must be reviewed
⇒ ***Provide the right information, to the right people, at the right time***

FOCUS
**Analytical
Input
Drive decision
making**



Conclusion

- BCBS 239 is more than a new requirement, it entails a complete governance and architecture review
- Investments are very large but will result in cost reduction
- Enterprise-level involvement is essential and communication is a key success factor.



For more information..

Extensive briefing notes and presentations

Principles for effective Risk Data Aggregation and Risk Reporting

Principles for effective Risk Data Aggregation and Risk Reporting

In response, the Basel Committee as well as other global regulatory standard setters and national regulators introduced a range of requirements to strengthen banks' risk data aggregation capabilities and risk reporting practices.

Which must be done first projects in place to enhance existing reporting mechanisms, the Principles established a high standard and further work to 2011 requires to achieve compliance with the existing BCBS standards by 2014.

Which built regulatory and technical solutions that...

Which this is important and experience in developing and testing...

Which this is important and experience in developing and testing...

Which this is important and experience in developing and testing...

Concrete solutions to comply with BCBS 239

Concrete solutions for BCBS 239

In response, the Basel Committee set out global regulatory standard setters and national regulators introduced a range of requirements to strengthen banks' risk data aggregation capabilities and risk reporting practices.

These Principles are expected to be implemented by 2014 to January 2014. The 2012 also incorporates the national solutions which that solution to national regulatory changes from 2012 to 2014. The national regulatory changes from 2012 to 2014. The national regulatory changes from 2012 to 2014.

Risk data summit London

A pragmatic guide to BCBS 239 compliance: Inventorise, Connect and Control

Collaborative Approaches To Risk Data Aggregation And Reporting

Reply advantage

RDA&R Capability Testing

RDA&R Capability Testing

The objective of this paper is to provide a framework for testing RDA&R capabilities. The paper will focus on the current regulatory requirements and the testing scenarios, testing from 2011 under BCBS 239 compliance programs and how to prepare for the next steps.

A revolutionary technology and solution for data lineage

A revolutionary technology and solution for data lineage

The process of data lineage is a complex task that involves tracking the flow of data from its source to its destination. This process is essential for ensuring data accuracy and integrity, and for identifying and resolving data quality issues.

And more to come on www.frm.reply.eu



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