



# **Assisting a large UK bank attain IRB compliance**



## The Client

A leading global wealth manager, and the UK's largest, focusing on private and intermediary clients worldwide, providing international and private banking, investment management, fiduciary services and brokerage. Globally present in over 20 countries, and through the group, has an extensive international presence in Europe, the Americas, Africa and Asia

## Scope and Approach

The client wanted to prepare a roadmap for IRB compliance, for which a strategy pack was drafted with timelines for IRB compliance and including breakdown of the IRB rules. A baseline analysis of compliance was done using a Basel Compliance Toolset and collecting critical inputs and requirements from a wide body of stakeholders within the Bank including credit, risk, IT, Program Management and decision makers. This baseline provided a context to all subsequent model development and decisions.

Aptiva also developed and supported in the implementation (UAT, Excel Prototype etc.) of several PD and LGD models within the bank for retail and corporate portfolios for products like Personal loans, Residential Mortgages, SME (Small and Medium Enterprises), Corporate and Intermediaries, Private Banking and Specializing Lending Portfolios. Also, a new PIT and TTC calibration framework was developed using intensive econometric time series and Bayesian aggregation methodologies. A comprehensive strategy was devised and rolled out for the Bank across these portfolios and several sub-portfolios targeting AIRB compliance. Documentation for all the models were reviewed and updated, along with supporting documents, which passed independent reviews successfully. A framework, including reporting content, focused on model monitoring was effectively established for all the portfolios.

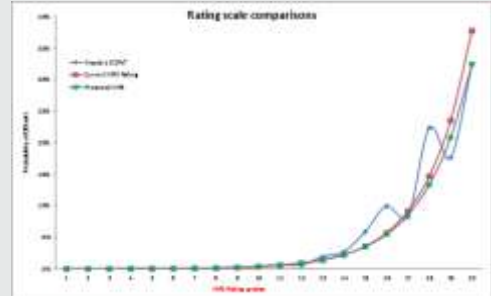
## Results

The Client was able to generate significant capital savings by moving to a more risk sensitive capital models. These models were also approved by the FSA.

# Deliverables

- ✦ Detailed documentation of the PD and LGD models developed for both retail and corporate portfolios
- ✦ New PIT and TTC calibration framework
- ✦ A framework for model monitoring across all portfolios
- ✦ A comprehensive strategy for AIRB compliance

Objective	Business	Deliverables
<p><b>Interpretation of the model and its outputs</b></p> <p>(i) In their estimates of LGD, the model uses the accuracy and value in respect of relevant macroeconomic variables, and the possibility that the proportion of defaulted exposures which are covered by collateral is higher, or lower, than expected. The model uses the PD and LGD (or the 'weight' of the model) to estimate the loss given default (LGD) for the portfolio. An example of a model which is not calibrated to the actual data is provided in the table on the right. The model estimates are based on the actual data, and the model is calibrated to the actual data. The model is calibrated to the actual data, and the model is calibrated to the actual data.</p> <p>(ii) The model uses the LGD estimates that are appropriate for an economic scenario. If these are more conservative than the long-term average, the model is calibrated to the long-term average. The model is calibrated to the long-term average, and the model is calibrated to the long-term average.</p> <p>(iii) The model uses a regression and will also be used to provide the PD estimates for the portfolio. The model is calibrated to the actual data, and the model is calibrated to the actual data.</p> <p>(iv) The model uses the PD estimates that are appropriate for an economic scenario. If these are more conservative than the long-term average, the model is calibrated to the long-term average. The model is calibrated to the long-term average, and the model is calibrated to the long-term average.</p>		



# About Us

Aptivaa is a dedicated risk and compliance consulting firm delivering risk management solutions to the financial services industry.

We offer risk consulting, solutions and analytical services to banks, insurers, as well as asset management and other financial services companies. Our domain expertise covers risk and compliance across credit risk, market risk and operational risk.

