



## Credit Risk Operating Model

### Abstract

The underperformance of the client's Credit Risk IT team, as indicated by a back log of approx. 200 change projects, was being driven by a number of factors: the presence of legacy IT applications, historical underinvestment in the team, and eroded relationship with the business. Avantage Reply transformed the client's Credit Risk IT function by working as an extension of the client's team in developing a common understanding of the target operating model and target architecture, developing a programme of work for the team, and organising the most appropriate resources for the team. The relationship between the Credit Risk IT team and the business has moved to one of partnership with an established record of delivery

#### THE CLIENT

The client's parent entity, a bank headquartered in Europe, is a leading global wealth manager, top tier investment banking and securities firm, and one of the largest global asset managers. The specific client in this case is the Head of Risk IT.

#### THE CHALLENGE

The combination of legacy IT applications that had a single point of failure and a historical underinvestment in building the Credit Risk IT team constrained the ability to deliver change in a demanding environment.

The relationship between the business and Credit Risk IT function had eroded and was characterised by underperformance in terms of delivering complex multiple release programmes and projects.

This situation was manifest in a back log of approximately 200 change projects with no means of identifying which should be addressed as a priority.

A new operating model was required in order to improve Credit Risk IT applications and systems. Organisational change was also to be delivered concurrently with an enhanced programme and project delivery methodology.

#### APPROACH AND SOLUTION

This engagement required a total immersion in the client's environment and for the Avantage Reply consultant to work as an extension of the client's team.

The Avantage Reply consultant was appointed to a 'Chief of Staff' role to assist the Head of Risk IT in developing a common understanding of the target architecture and to develop a programme of work and a team that would deliver this in coming years.

Specific functions undertaken included:

- Development of a new governance structure, including setting the roles and responsibilities of members of new executive Committees;
- Developing and documenting the rationale for recommending (to the respective Steering Committee) the termination of projects;

- Development of business case for a Target Functional Model, Target Business Model, and Target Architecture submitted to Management Committee of the Investment Bank for approval and sign-off;
- Working with Head of Risk IT to determine appropriate outsourcing options based on a view of the maturity of Credit Risk applications and systems, including consideration of outsourcing options;
- Development of a communication strategy;
- Planning and development of appropriate resource blend (permanent, contractor, and consultant), including preparation of budget;
- Acting as Credit Risk IT representative and advocate to various Committees including Basel II programme and various business innovation initiatives;
- Review of vendor contracts with regard to a legacy system to be decommissioned, and, system selection of a replacement package;
- Liaison with the Project Management Office to ensure appropriate project monitoring and reporting.

## RESULTS AND BENEFITS

Through working with Avantage Reply the Client has transformed the credit Risk IT function. A clear vision of the target business model and architecture was agreed between the Business and Credit Risk IT functions and underwritten by Management of the Investment Bank. The respective functions were right sized and up-skilled to meet this demand for change.

Three years on, the relationship between the credit risk IT and business function has moved to one of partnership with an established record of delivery.

Avantage Reply, part of the Reply Group, is specialised in Financial Services with a focus on Risk, Treasury and Capital and Financial Performance Management. With offices in Amsterdam, Brussels, Edinburgh, Frankfurt, Hamburg, London (head office), Luxembourg, Milan, Munich and Rome Avantage Reply counts some of the world's most significant financial groups among its clients, including well-known and respected organisations in the Banking, Insurance, Investment Management and Services, and Post Trading Services sectors. The firm's delivery capabilities cover advisory services (Risk/Finance/Treasury Subject Matter Expertise), Program and Project Management, Business, Functional, and Data Analysis.

For further information: [www.frm.reply.eu](http://www.frm.reply.eu)

Reply [MTA, STAR: REY] specialises in the design and implementation of solutions based on the new communication channels and digital media. Through its network of specialist companies Reply is helping some of Europe's leading industrial groups in Telco & Media, Industry & Services, Banks & Insurance, and Public Administration to define and develop business models suited to the new paradigms of Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things. Reply services include: consulting, system integration, application management.

For further information: [www.reply.eu](http://www.reply.eu)