

Abstract

Avantage Reply provided assistance to a leading International Central Securities Depository (ICSD) to define and evaluate the business, operational and IT impacts of the introduction of Basel III and CRD IV.



Implementation of Basel III and CRD IV Requirements

THE CLIENT

The client is a Transactional Bank specialised in securities services (post trade) and also known as an International Central Securities Depository (ICSD).

THE CHALLENGE

The client requested Avantage Reply to define and evaluate the business, operational and IT impacts of the introduction of Basel III and CRD IV.

APPROACH AND SOLUTION

Avantage Reply was appointed to:

- Provide assistance to Risk, Finance and Treasury in developing and implementing the new regulatory capital requirements (Credit Valuation Adjustment ("CVA"), trade and non-trade exposures to Central Counterparties ("CCPs") and liquidity regulatory requirements set out in the proposed Capital Requirements Regulation;
- Evaluate the business (including a detailed review of the repo and reverse repo activities, nostro balances treatment, and collateralised credit lines) and operational impact of the looming introduction of the Liquidity Coverage Requirement ("LCR") and Net Stable Funding Ratio ("NSFR");
- Undertake a data gap analysis and remediation work to populate the draft regulatory reporting templates issued by the European Banking Authority ("EBA") with particular focus on CoRep, FinRep, and liquidity reporting;
- Identify the data quality control mechanisms to be implemented to meet data integrity requirements;
- Evaluate the amendments to the Pillar 2 regime, including the increased focus within the ICAAP on (i) concentration risk (direct and indirect), (ii) residual risk (incl. as relates to repo and reverse repo activity), (iii) operational risk (in the context of an ICSD) and (iv) liquidity risk (taking the existing Basel and CEBS [now, EBA] principles into account); and
- Undertake a high-level review of Euroclear's compliance with the "Monitoring intraday liquidity management" consultative document issued by the Basel Committee.

RESULTS AND BENEFITS

- A comprehensive evaluation of the merits of applying for whole-firm and intra-group liquidity modifications;
- Accelerated delivery of draft liquidity modification applications together with relevant supporting evidence.

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

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