

Abstract

Employing an Avantage Reply subject matter expert with project and process management skills helped a Dutch international bank to understand and implement the new CRD IV capital requirements.



Basel III: Policy setting for capital requirements (CRD IV)

THE CLIENT

A leading Dutch Commercial bank, which services Retail, Private and Commercial banking customers in the Netherlands and across the globe.

Internationally active in niche areas such as ECT and Clearing, and with a strong focus on Private Banking activities in the Netherlands, Europe and Asia.

THE CHALLENGE

The European Union is currently working on a broad range of regulatory measures aimed to bring more stability and transparency to the European financial sector. A large part of those measures are included in CRD IV (the Capital Requirements Directive part IV). The introduction of Basel III into European regulation is expected to translate the current Basel II capital ratios into higher required Basel III capital ratios as of 2013. Under the new rules, capital requirements are expected to increase and additional capital deductions and prudential filters are to be introduced. The CRD IV draft stipulates that the new rules must be implemented using a phased approach.

APPROACH AND SOLUTION

The Accounting Policies department (within the Finance function of the bank) asked for advice regarding the creation of a policy relating to the capital treatment under new European regulation. Expertise was available in house, but fragmented throughout the organisation, meaning that there was no coherent approach and no over-arching policy.

During the assignment the following activities were completed:

- Regulation was reviewed and analysed
- Related policies were also reviewed to avoid overlap or gaps
- The scope was clearly defined
- Workshops were held with experts from ALM, Finance, Accounting Policies, Reporting, Tax and Risk to discuss interpretation of the regulation
- Key findings were documented
- Final approval was sought from the most Senior Finance committees (CFO level)
- The approved internal knowledge database was published and the policy was embedded throughout the organisation
- Senior stakeholders were closely managed throughout the process

Not only was Avantage Reply asked to provide subject matter expertise on the capital requirements and treatment in the new regulation, an important task was also to collect, coordinate and combine the in-house available, but fragmented, knowledge on CRD IV, IFRS and Tax matters.

RESULTS AND BENEFITS

The most notable result was the delivery of the “Elements of Own Funds Policy”. In addition, the whole process helped to foster better communication between key stakeholders within the organisation and this then led to a centre of expertise being built within the Finance function.

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For further information: www.frm.reply.eu

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