



## ABSTRACT

Avantage Reply supported a major custodian bank to become compliant with the European Banking Authority's (EBA) Shadow Banking guidelines by the 1st of January 2017.

The client was facing issues of aligning different approaches by different regulators across the four different countries in which the new regulations applied.

Avantage Reply helped the client to roll out, in each of its legal entities, a framework for the identification, monitoring and reporting of its shadow banking clients and conducted trainings for various audiences, within lines of business and risk departments.

## THE CLIENT

Avantage Reply supported a major custodian bank to become compliant with the European Banking Authority's (EBA) Shadow Banking guidelines by the 1st of January 2017.

## THE CHALLENGE

All banks within the EU are required to identify, measure, manage and control the EBA's new shadow banking requirements ahead of the 1 January 2017 deadline.

The client faced issues of aligning different approaches by different regulators across the four different countries in which the new regulations applied. This issue was complicated further by the banks use of different monitoring and reporting systems across each of the four countries.

## APPROACH AND SOLUTION

Avantage Reply helped the client to roll out, in each of its legal entities, a framework for the identification, monitoring and reporting of its shadow banking clients.

As a preliminary step, the project involved the identification of the Bank's legal entities which were in-scope for complying with the shadow banking regime by the 1st of January 2017. In total, four legal entities located in the Eurozone and in the UK were in-scope of this regulation.

Avantage Reply articulated a methodology for flagging shadow banking clients amongst the bank's client base. This flagging was done through implementation of a decision-tree which helped the identification of shadow banking clients according to well defined criteria.

To monitor and report its shadow banking exposures, the bank leveraged on an enterprise-wide credit monitoring system. Avantage Reply assisted the shadow banking reporting teams in testing the accuracy and completeness of the shadow banking report.

Avantage Reply documented the internal framework for shadow banking in a policy which was approved by the various Boards of the in-scope legal entities. This framework included clearly defined risk management processes to manage exposures to shadow banking entities.

The last task but not the least was the training of various audiences, within lines of business and risk departments. It aimed to ensure processes and procedures we implemented were correctly understood and followed for a sustainable application.

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