

## Abstract

Avantage Reply assisted the client fulfill its regulatory requirements in the context of the ring-fencing of proprietary trading.



### THE CLIENT

The client is an international banking group.

### THE CHALLENGE

French law of July 2013 imposes the ring-fencing of the trading for its own account, into a dedicated subsidiary here called OTC. On this new prudential perimeter OTC, all regulatory ratios must be reached meaning that the new subsidiary of the group must send all the relevant regulatory reports (CoRep, FinRep, Larges Exposures, LCR/NSFR, and Basel 1 Floor) to the ACPR, the national competent authority.

Furthermore, all those reports must also be calculated on the prudential perimeter defined by the Group excluding the subsidiary OTC. A major challenge was the modelling of the intercompany transactions created on purpose with the internal brokers.

### APPROACH AND SOLUTION

Avantage Reply ensured the project management as well as the full implementation of the project.

The first step was to coordinate the internal teams in order to help to create all the necessary data for the calculation of the different involved risks (market risk, credit risk, counterparty risk, equity risk).

Avantage Reply built a solution in VBA to create some reports such as the Large Exposures and also they followed the customer in modifying their in-house calculation engines to handle those two new sub-consolidated prudential perimeters.

On top of that, as a conclusion, Avantage Reply analysed the first results sent to the French regulators and advised on the solutions taken to handle some specificities of the regulation (breach on a customer due to market risk exposure).

### RESULTS AND BENEFITS

The customer can now fulfilled all the requirements expressed by the ACPR and the French law.

A specific action plan can also help them handle and monitor this new production process. The project was finished under control scope and budget and formation were given to the internals.

The level of RWA for this new entity was also in line with the expected scenario and thanks to an effective and conservative calculation of the risks, the bank avoided any financial penalties due to late reporting or non-respect of prudential ratios.

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