

CHECKLIST FOR BASEL IV

The finalization of the Basel III reforms, aka Basel IV, will have significant impact on a bank's business by increasing the constraints and rules banks are operating in. These changes will have impacts across the bank's end-to-end Basel process: no "component" will be left untouched. As of late, the Basel Committee has imposed various cross-dependencies that necessitates more than ever a proper upfront design of the whole Basel architecture to make sure end results will be consistent. Siloed thinking – everyone is the expert of their own domain – is a major risk that Basel implementations face, and the most hidden as well! This check list aims at helping you to avoid these major pitfalls and elaborate the best path for you for adopting a holistic approach to Basel IV:

01

Completeness

Do you have all components required for Basel IV?

See the list of components required

02

Cross-Consistency

Are your calculations for Counterparty Credit Risk consistent across Credit, CVA, Leverage and Large Exposures?

03

Consistency by Design or Spaghetti Reconciliation?

How much reconciliation, control and correction processes do you need to put in place due to the absence of a unified/holistic platform?
How much ongoing cost is that generating?

04

Do you fulfill your "Compliance at all times"?

What is your definition of "at all times" for each type of risk?
Do you meet this requirement?
Will your supervisor be satisfied?

05

ICAAP/ILAAP

Can you project your exact capital and liquidity requirements over medium to long term?
Are you able to leverage your regulatory calculators for CCAR/DFAST exercises?

06

Group Prudential Consolidation

Can you report the differences between prudential and financial consolidation figures?
Can you easily generate all regulatory metrics for all entity levels without duplicating calculations and applying the correct approach given the size of entity?

07

Explainability

Can you explain to internal and external auditors how each number within each submission was produced?
Can you tie each step back to the regulations?
Is your Basel process transparent and well documented?

08

Operational Efficiency

How many days does it take to produce your Basel group reporting?
How many error corrections are needed per cycle?
How much time is lost aggregating data and moving results from one point solution to another?
How many man days does it take for Basel reporting?

09

Data Versioning/Lineage

Can you follow data through all stages of reporting process? Can you trace reported data back to its sources (drill back)?

10

Proportionality

Are you applying the right approach for your size and complexity?
Does your supplier provide the method you may need to switch to?

11

Subject Matter Expertise

Do you have the bandwidth to analyze the continually evolving guidelines from the regulator?
Do you currently have the resources necessary to translate these guidelines into technology and reporting requirements?
How do you track changes and incorporate the modifications?

12

Analytics

Are your regulatory reports giving you any useful insights into your business? (variance analysis, trend analysis, attribution analysis, ad hoc).

REMEMBER

Correct, accurate and comprehensive implementation is the minimum expectation of your supervisor. Banks should not lose sight of the importance of preparing for Basel IV and the many difficulties it will create along the way. Wolters Kluwer is committed to help you pave your road to Basel IV with an upfront design of risk technology architecture that helps remove barriers triggered by traditional silo structures and generates a deeper insight for the entire enterprise.

Leveraging Basel IV to help your business is the way to move from pure costs into a healthy and improved ROI. ICAAP and ILAAP, that are under the direct responsibility of senior management, clearly indicate the direction: they combine regulatory metrics and economic internal metrics, business-as-usual and adverse scenarios, current situation, and future outlooks at different horizons. As these can really bring incredible value to the bank, Wolters Kluwer has strategically designed a solution which not only addresses Basel IV requirements but integrates all these dimensions into the same application. With our long-standing expertise in the Finance, Risk & Regulatory Reporting, our commitment to your organization's success extends well beyond the implementation of the solution.

You can optimize your investment by scaling it up across your entire group. Using the same Basel solution across the different entities is a very concrete way to optimize investment and reduce TCO. On top of that, integrating prudential consolidation leads to group automation and brings significant operational benefits.