

CHECKLIST FOR BASEL IV

Basel IV is a huge change for the market. It will have significant impact on a bank's business by increasing the constraints and rules, banks are operating with. These changes will impact the full operational Basel processing chain: no "significant component will be left untouched. In recent times, Basel Committee has imposed 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 risk management.

01

Completeness

Do you have all solution components required for Basel IV? Are these functionalities delivered by multiple siloed solutions? Are you able to maintain consistency in data and results?

[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

Reconciliation by Design or Manual effort?

How much reconciliation, control and correction processes do you need to put in place?
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 reliably your exact capital requirements over medium to long term?
Can you project your exact Liquidity LCR and NSFR ratios over any specific interval, at a desired frequency?

06

Group Prudential Consolidation

Are you correctly applying the rules for prudential consolidation?
Can you report the differences between prudential and financial consolidation figures?

07

Transparency

Are you well prepared to explain to internal and regulatory auditors how each number within each historical regulatory 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 do you 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? Do you have the ability to trace reported data back to its sources (drill back)?

10

Proportionality

Are you applying the right methods 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, ad hoc).

REMEMBER

Correct, accurate and comprehensive implementation is the minimum expectation of your supervisors. 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 healthy ROI. ICAAP and ILAAP, that are under the direct responsibility of the 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.