

BMO Looks Beyond Basel II With Reveleus

Bank of Montreal found a solid risk solution that allows for more than Basel II credit risk management.

By Maria Bruno-Britz February 19, 2009, Bank Systems & Technology

So far [Basel II](#) hasn't had much of an impact on the majority of financial institutions in the U.S. For their neighbors to the north, however, becoming compliant with the international standard for aligning banks' capital requirements with risk has been more of a front-burner issue. In 2006, with Canada's deadline for Basel II compliance looming, Bank of Montreal (BMO) sought a solution that would meet its immediate Basel needs — and more.

According to Bill Kasali, the Montreal-based bank's managing director, risk analytics, reporting and Basel projects, enterprise risk, and portfolio management, when compared with Basel I, Basel II requirements demand more from banks in terms of granular reporting. "There was a need for an enterprisewide solution that was centralized so all the businesses would have access to it and be able to use the relevant information for analysis or decisions that are unique to their businesses," he explains.

Keeping things simple was key to BMO's (US\$341 billion in assets) search criteria, Kasali adds. In addition to ensuring that all lines of business standardized on the same solution, the bank also wanted technology that could be leveraged beyond Basel II credit risk compliance. "Our objective was to look for a longer-term risk solution," Kasali says.

BMO began a six-month selection process, starting with a list of vendors that included Fermat, Algorithmics, SunGard and then-newcomer Reveleus. [*Ed. note: Redwood Shores, Calif.-based Oracle purchased a majority stake in Reveleus' parent, i-flex, in 2005.*] A 20-person cross-departmental selection team narrowed the candidates to two.

At that point, Kasali relates, it was a matter of substance over form. Even though at the time Reveleus Basel II did not have the name recognition of its counterparts, "The choice was clear," he says. "Reveleus was not fancy, but it was a solution that demonstrated the auditability, controls and ability to expand that we required."

The bank began transitioning to Reveleus in November 2007. "My expectation was that implementation would take about six months," Kasali recalls. But BMO went through several iterations of its business requirements to get it just right, he adds. Ultimately, "It took us nine months," Kasali reports.

He points out that BMO didn't purchase the entire Reveleus solution; rather it acquired only the modules it needed. "We didn't need the parameter development, for example, because we had our own system," Kasali explains. "We just needed a way to put data in a calculator and something to do the analysis." According to the vendor, the solution offers banks a standard approach to achieving Basel II compliance by using a set of analytic applications with pre-built data structures, computational engines and information delivery templates.

But BMO has been able to tap Reveleus to manage operational risk in addition to meeting its Basel II credit risk requirements, according to Kasali. "We have been using Reveleus beyond Basel II without having to buy a new application," he comments.

Although he declines to provide specifics, Kasali says implementing Reveleus was significantly cheaper than if the bank had built a solution internally or gone with another vendor. According to BMO, installing Reveleus required 25 percent fewer resources than building a homegrown solution.

Further, the Reveleus solution doesn't require IT to take complete possession of the system. "Our IT people indicated that with the way Reveleus was built, we should be able to change the metadata ourselves when a new regulation comes along," Kasali relates.

According to Kasali, the Reveleus solution required very little customization (10 percent). "We needed a solution that reflected the way we do business," he relates. "We didn't want to do a lot of customization. What we did [customize] reflects our needs but doesn't necessarily impair the integrity of the upgrade."

Case Study Snapshot

Institution:

Bank of Montreal (Montreal).

Assets:

US\$341 billion.

Business Challenge:

Comply with Basel II capital and reporting requirements, while improving enterprise risk management.

Solution:

i-flex's (now owned by Redwood Shores, Calif.-based Oracle) Reveleus Basel II software.