

SERVICES FOR ICAAP IMPLEMENTATION



Oracle Financial Services Consulting's proven methodology enables banks to prepare a comprehensive ICAAP document to encapsulate the risk management strategy and capital planning considering their present and future business plans.

KEY FEATURES

- Establishes relationship between capital management and business plans
- Is proportionate to the size, complexity of business and risk levels of the institution
- Covers all material risks including pillar I risks and qualitative (pillar II) risks
- Comprehensiveness of risk mitigation plan
- Holistic approach towards Stress testing and analysis

KEY BENEFITS

- Framework/methodology based on vast experience in Basel II engagements
- Availability of tailor made templates, collaterals, libraries
- Case-studies of previous ICAAP engagements are available
- Reports provide enterprise-wide view of risks to the senior management
- ICAAP documentation will prepare banks for the Supervisory Review And Evaluation Process (SREP)

Internal Capital Adequacy Assessment Process (ICAAP) represents a bank's assessment of the adequacy of its capital to sustain risks faced by it. The document is thereafter reviewed by a supervisor. Based on the outcome of its assessment, the supervisor may ask the bank to maintain additional capital over and above the minimum regulatory requirements (higher than the banks own estimate). Oracle Financial Services Consulting with extensive experience in risk management and Basel II compliance engagements with leading banks has developed a well-tested methodology and framework for ICAAP implementation, pillar II risk measurement, stress testing and scenario analysis.

Diagnostic assessment for Pillar II implementation: Data, Policy, Process and System gaps

Risk management and capital computation is more of an art than science. This view has been strengthened in the aftermath of the ongoing global financial crisis. Consequently, regulators are attaching more importance to implementing an effective ICAAP. Regulators are also asking banks to calculate and meet their Economic Capital requirements and not just regulatory capital (Pillar I capital) needs. Also, ICAAP requires implementation and demonstration of an all-round and integrated risk management process. Oracle Financial Services Consulting carries an in-depth study and analysis of existing risk management systems and processes to establish the gaps in the pillar I capital computation, risk policies for credit, market and operational risks, asset classification, collateral management, etc. Gaps are diagnosed vis-à-vis Basel II prescriptions, regulatory requirements and best-practices. As part of this exercise, gaps in data management and applications supporting Basel II implementation, and the Governance and risk management structure within a bank are also carried out. Methodology for quantification and periodic review of Pillar II risks that a bank may be exposed to is also worked out for each of the residual risks.

ICAAP Methodology: Framework & integration with Risk management and Capital Planning

Oracle Financial Services Consulting has developed a sound methodology to analyze the current risk systems, business strategy and proposed risk management processes, including the risk management initiatives and the capital allocation process of banks. Recommendations are made with regards to risk identification, measurement, monitoring, and reporting, in order to integrate the same with credit, market, Operational, compliance and regulatory policies. Capital charges for residual risks that the bank may be subjected to are estimated based on quantification of pillar II risks. Capital planning of the bank is carried out in line with the proposed business plans and its pattern and behavior studied under stress scenarios. Appropriate recommendations are made so that the bank can tide over the stress conditions.

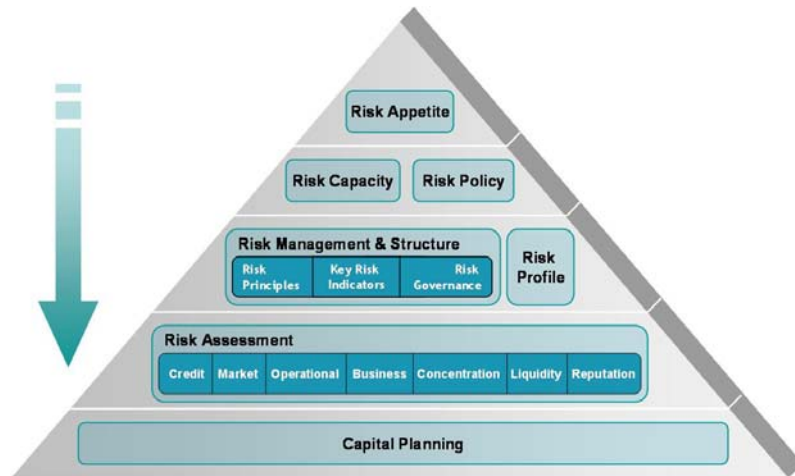


Figure 1. Oracle Financial Services Consulting's Top-down approach for ICAAP

Templates: Risk appetite, Pillar II risks, Capital Adequacy

Oracle Financial Services Consulting has designed detailed methodologies, templates and frameworks which adequately assist the banks in quantifying the risks not covered under Pillar I viz., concentration risk, interest rate risk in banking book, liquidity risk, reputation risk and strategic risk, etc.

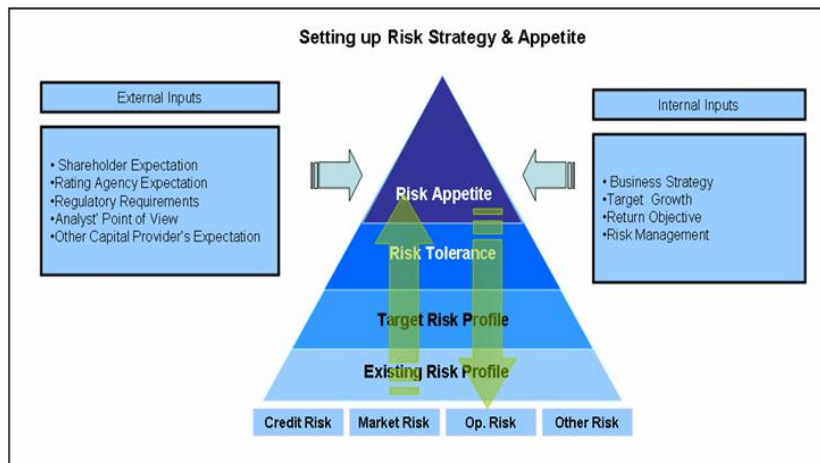


Figure 2. Setting up Risk Strategy & Appetite

The definition of a suitable risk appetite is a basic operational prerequisite for the banks to set their appetite consistent risk limits. The challenge is to transpose this risk appetite - defined at the highest level of management - onto various risk types and business lines (or operational sub-units) in an appropriate manner. Banks can therefore define their target risk structure and enable decentralized risk responsibility and decision-making in individual lines of business or operational units.

Constructing Stress Testing and Scenarios

Institutions need to identify material risks which they are subjected to and conduct appropriate stress tests on all the identified risks. Institutions of different sizes will have different requirements in terms of their stress testing processes and the costs of mandating less complex firms to perform multi-factorial scenario tests are likely to outweigh the benefits.

RELATED SERVICES

The following services are available from Oracle Support Services:

- Data Management implementation
- Program Management & implementation
- Basel II implementation
- Basel II Risk parameter estimation & validation
- Credit, Risk Analytics: Rating Modeling & Validation
- Risk Analytics
- End-to-End Operational Risk Consulting
- GRC Framework
- Risk Management in Islamic Banking
- Implementing Oracle Reveleus Operational Risk
- Implementing Oracle Reveleus Credit Risk
- Building Data Mart for Oracle GL, OFSA, Hyperion, Crystal Ball
- Implementing Oracle GRC Manager, AACG, Transaction & Configuration Control Manager
- Training/ Educational services in Risk & compliance space

Documentation ICAAP

Oracle Financial Services Consulting can design and document a comprehensive ICAAP for reporting to the regulator that will prepare banks for the Supervisory Review & Evaluation Process (SREP). The document will comprise the ICAAP framework, Gap analysis for the pillar I risk computation, templates for quantifying residual risks (Pillar II risks), risk appetite, risk tolerance and capital planning. It will also suggest the “TO BE” risk management governance structure that will help banks adopt an integrated approach to risk management, governance and capital planning. The report will recommend a holistic approach to stress testing and define the scenarios for the bank to stress test and ensure capital adequacy while taking into account extreme, but plausible, economic downturn scenarios.

Training in ICAAP

Oracle Financial Services Consulting will conduct detailed and comprehensive training on all facets of ICAAP for the operational executives within the bank using “Train the trainer” methodology.

Contact Us

For more information about Oracle Consulting ICAAP, please visit

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Oracle is committed to developing practices and products that help protect the environment

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