

Tutorial: BCBS 239 - Risk Accounting

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From (Mins : Secs)	Topic	Description (RA = Risk Accounting)
0:00	Introduction	Overview of the tutorial <ul style="list-style-type: none"> Welcome Introduction to the RA software 'ADWEKO.ras' Summary of the BCBS 239 principles addressed by the tutorial
1:16	Risk Data Aggregation	The requirements for effective risk data aggregation <ul style="list-style-type: none"> Standardised identification codes that predefine data aggregation paths Standardised risk exposure quantification method
2:28	Challenges	The multiplicity of quantitative and assessment based approaches used to identify and quantify risk that inhibit effective aggregation <ul style="list-style-type: none"> Basel advanced and standardised approaches used for regulatory capital Bank internal quantitative models and assessments used to manage risk at the granular level
3:58	The Accounting Perspective	An overview of the accounting process and its adaptation for risk data <ul style="list-style-type: none"> Accounting systems, transaction recording, accounting standards (IFRS/GAAP) and accounting controls The codes tagged onto transactions that predefine data aggregation paths: business line, customer, product, legal entity, geography etc. Financial reporting and transaction values as population controls to ensure completeness and accuracy The 'monovalent' concept in accounting and its application to risk data RA's concept of tagging transactions with risk information used in a calculation of exposure to risk as a basis for risk data aggregation and reporting
7:20	A New Risk Metric	Introducing RA's new standardised additive risk metric, the Risk Unit or RU <ul style="list-style-type: none"> What the RU represents and its application in risk data controls and reporting RA's three core metrics: <ul style="list-style-type: none"> Inherent Risk in RUs: maximum potential for loss Risk Mitigation Index (RMI): effectiveness of risk management and mitigation Residual Risk in RUs: probability of loss
9:30	Inherent Risk	How the transaction-by-transaction Inherent Risk RUs are calculated <ul style="list-style-type: none"> The Value Table and Value Band Weightings (VBWs) The EUF Tables and Exposure Uncertainty Factors (EUFs) The risk types and their associated EUF Tables: processing, credit, market, liquidity, interest rate and conduct risks The calculation method
16:38	Risk Mitigation Index	How the Risk Mitigation Index (RMI) is calculated <ul style="list-style-type: none"> Deconstructing enterprise architectures and business components: an RMI is calculated for each business component The categorisation of business components: (1) Transaction Processing, (2) Risk Management, (3) Core Applications Management and (4) Data Management End-to-end processing cycles and the product processing profile Best Practice Scoring Templates (BPSTs) and how they are used to calculate the RMI The calculation method

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22:51	Residual Risk	How Residual Risk RUs are calculated <ul style="list-style-type: none"> Combining the Inherent Risk RUs and RMIs The calculation method
23:44	Reporting	Enterprise level (aggregated) reports in RUs and RMIs <ul style="list-style-type: none"> Risk reporting accuracy and completeness controls An analysis of sample RA risk reports: (1) Best practice categories, and (2) Products Deriving the monetary value of an RU through statistical correlation (Residual Risk RUs vs. actual loss history) and its application in extended risk reporting: Capital Asset Pricing Model (CAPM) Risk Adjusted Return on Capital (RAROC) Capital provisioning
26:57	BCBS 239 Compliance	How RA ensures compliance with BCBS 239 <ul style="list-style-type: none"> Risk data controls Reconciling risk data to accounting data Creating a single authoritative source for risk data
28:05	Management Controls	How RA provides a management control framework for risk <ul style="list-style-type: none"> Capital adequacy, regulatory capital and capital ratios A single enterprise risk management (ERM) framework that encompasses all risk types: processing, credit, market, liquidity, interest rate and conduct Stress testing Risk appetite setting and monitoring
30:26	Key Features	RA's key features <ul style="list-style-type: none"> RA provides an enterprise risk management (ERM) framework with outputs that are: simple, timely, representative, aggregatable, comparable and auditable Positive risk cultures are actively promoted: the RMI represents a <i>de facto</i> measurement of risk culture as it blends risk attributes from across the enterprise into a single metric
31:51	Software	An overview of RA software <ul style="list-style-type: none"> RA software 'ADWEKO.ras' runs on SAP technology (SAP Bank Analyzer and SAP HANA) <p>There is an open source version for non-SAP users</p> <ul style="list-style-type: none"> Ongoing research and development in collaboration with academic and industry partners The software is fully customisable: RA's tables, templates and weightings can be configured by users A global financial institution consortium is being formed to oversee standards
33:06	End	Closing message <ul style="list-style-type: none"> RA training courses Websites and contact details