

CLIENT SPOTLIGHT:

Major US Bank Prepares its Organization for Basel III with Moody's Analytics

Leverage Moody's Analytics Regulatory Capital Management Solution to:

- » Deliver and maintain compliance for Basel I, II & III.
- » Streamline the regulatory capital calculation and reporting process.
- » Enhance business decision-making through superior business insight.
- » Improve operational effectiveness by using one source of regulatory capital data for decision-making across the business.

For more information about Moody's Analytics Solutions for Basel I, II & III, please visit: moodyanalytics.com/riskauthority

An Expanding Full Service Bank

A dynamic and innovative bank that had grown rapidly in recent years, in part by acquiring other institutions, was challenged with Basel II compliance. Although it started as a credit card issuer, regulated under Basel I, after a number of acquisitions, it offered credit cards, personal loans, auto loans and extensive banking services, and was regulated by Basel II. Managing Basel II compliance in this substantially more complex environment was a challenge the leadership team had to address.

The Challenge: Managing a Complex Data Infrastructure and Increased Regulatory Scrutiny

Following its growth and product expansion, the bank's data infrastructure was overly complex. It had over 40 back-end systems, using a wide range of data formats and standards. This made Basel II compliance difficult and costly. The bank particularly struggled with producing timely and accurate regulatory capital calculations and reporting across all of its businesses.

With the Dodd-Frank Act and Basel III on the horizon, the executive team recognized that its compliance challenges were likely to increase over time. In addition to addressing these regulatory challenges, they wanted to make better use of the bank's regulatory capital across each business unit, optimizing its costs, and identifying those areas where there was opportunity for commercial gain.

The Solution: Moody's Analytics Regulatory Capital Management Solution

After a thorough review of its options, the executive team selected Moody's Analytics regulatory capital management solution to address these challenges. The firm has centralized and consolidated its regulatory data across all of its businesses, leveraging Moody's Analytics data platform. This platform uses application mapping to consolidate the bank's dataset from its 40 plus back-end systems into a single source of data. It has the capability to quickly and accurately calculate regulatory capital ratios, and report the results to its Supervisor – the Federal Reserve. The Moody's Analytics solution also provides the bank with the ability to comply with Basel III and the Dodd-Frank Act, when those requirements become effective in the future. The bank's leadership team were particularly pleased with the solution's ability to consolidate and improve the data while performing the capital calculations and reporting – all from a single solution.

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Organizing the Data

The executive team recognized early on that data management was the most significant challenge of their Basel II implementation project. In assessing their options, they recognized the solution's use of Export-Transform-Load (ETL) technology could save significant time and millions of dollars in staff and software costs when integrating the solution into the bank's core applications. The solution contains over 3,000 data quality checks, to ensure that the data meets the bank's data standards during the consolidation, calculation and reporting process. Together, these ensured that the project could be implemented on time and on budget, while also assuring data quality.

Reporting the Results

The solution also utilizes Moody's Analytics award-winning regulatory reporting capabilities, which make extensive use of automation to consolidate the bank's reporting data, ready for submission to the Federal Reserve. The solution contains templates for the more than 20 regulatory reports that it submits every year and the module streamlines the reporting process under Basel II as well as Basel III.

Leveraging Compliance to Deliver Business Value

In addition to delivering Basel II compliance and reporting, the solution also gives senior management the ability to quickly and easily comprehend the broad regulatory capital picture across the company. It utilizes a range of dashboards, custom and regulatory reports to provide managers with the capability to drill down into the detail of the results, so that they can understand the underlying data and trends. These results are used extensively throughout the business by project steering committees, product managers and finance teams, for example. They are able to make fully informed decisions based on how each product line or business unit is making use of the bank's regulatory capital. It allows its management to swiftly identify which areas they should invest in, to respond to changing customer demand and market opportunities.

Conclusion

The regulatory capital management solution from Moody's Analytics allows the bank to consolidate its diverse dataset into a single environment, capable of quickly and easily calculating its regulatory capital. It enables the bank to produce reporting that complies with Basel II now, and will also comply with Basel III and the Dodd-Frank Act in the future. In addition to improving compliance, the solution also provides the firm with a management framework that allows it to better align its capital with its business objectives, thus ensuring that it remains a dynamic and innovative leader in its chosen markets.

ABOUT MOODY'S ANALYTICS

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

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