Moody's Analytics

News

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MOODY'S ANALYTICS' RISK PRACTITIONER SURVEY SHOWS REGULATION, STRESS TESTING DRIVE BANK SPENDING

NEW YORK, December 10, 2014 — Regulatory requirements for stress testing are expected to influence resource allocation at financial institutions, according to a study conducted by Moody's Analytics at its Risk Practitioner Conference.

The survey was conducted among participants at the ninth annual Risk Practitioner Conference (RPC), held in Scottsdale, Arizona, which included more than 280 risk professionals from 98 global financial institutions and regulatory agencies.

More than 80% of respondents reported that compliance with regulations would drive resource allocation over the next two to three years, with particular focus on meeting stress testing requirements in the US and Europe. In addition to complying with regulatory mandates such as the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Tests (DFAST), many respondents report that they expect to leverage their investments in stress testing to better assess capital adequacy and undertake capital planning (82%), upgrade their general risk management and measurement efforts (69%), improve risk appetite definition (56%), and conduct strategic planning (52%). A limited number of banks expect to use stress testing results for portfolio structuring, M&A and pricing decisions.

In opening remarks at the conference, Mark Almeida, President of Moody's Analytics, noted three trends that have emerged since last year: "We've seen an increased focus among regulators on more common standards in risk management, greater use of models for quantification and identification of risk, and the evolution of process changes at banks as they overhaul their risk architecture and infrastructure."

The conference featured a keynote speech by Tim P. Clark, Senior Associate Director, Division of Banking Supervision & Regulation, Federal Reserve Board of Governors. Mr. Clark reviewed the macroprudential dimensions of stress testing and the systemic benefits that will be realized as banks maintain stronger capital positions while enhancing their operational management with advanced risk management tools and models.

The event featured more than 40 panel sessions, with presentations and discussions on the future of stress testing, how to centralize the CCAR process, liquidity risk for large banking organizations and stress testing process governance and model uses. Conference topics also included data quality in origination; the use of primary and challenger models; capital planning; and balance sheet forecasting. As reflected in multiple presentations and panel discussions, the theme of the conference aligned closely with the survey results. Participants reported that financial institutions are increasingly taking an integrated approach to data management, scenario design, and loss modeling in order to further automate the end-to-end stress testing process.

For more information about Moody’s Analytics, visit http://www.moodysanalytics.com.

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 proprietary analyses from Moody’s Investors Service, Moody’s Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of $3.0 billion in 2013, employs approximately 9,700 people worldwide and has a presence in 33 countries. Further information is available at www.moodysanalytics.com.

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