

## News

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### MOODY'S ANALYTICS: BASEL III HOLDS MAJOR IMPLICATIONS FOR RISK MANAGEMENT ANALYTICS

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SINGAPORE – May 27, 2014 – Moody's Analytics' Pierre Gaudin, Director - Enterprise Risk Solutions, says that Basel III compliance implementation has significant implications for risk management practices across the banking industry.

"We work in conjunction with our clients to assist with new requirements in a considered and inclusive approach," says Gaudin. "Specifically, liquidity and stress-testing requirements are promoting a review of risk data flow infrastructures, cash flow models, and the application of consistent stress testing assumptions."

Gaudin was speaking at a conference organized by The Asian Banker in Kuala Lumpur on risk management and participated in a discussion panel – "Risk Management Transformation and Basel III Implementation". The conference took place May 21-22.

More generally, Basel committee guidelines on banking supervision have consistently promoted risk transformations across the financial industry.

Previous Basel II requirements have set the pace for the evolution of risk management infrastructures, leading to data warehouse initiatives, along with the enhancement of credit assessment models. Yet, risk management practices are more often than not organized in silos throughout Asia Pacific and worldwide, typically relying on disconnected risk models, different in nature and applying to data taken at different aggregation levels, through reporting frequencies ranging from intraday to daily and monthly.

Now, Basel III liquidity requirements are driving a review of the timeliness of data-warehouse-based data flows. Additionally, on the modeling side, liquidity monitoring and profitability management require a refinement of cash flow behavioral models.

However, the resulting infrastructure provides an opportunity for financial institutions to leverage a new level of detail for both data flows and models.

"The requirements provide the foundation for further profitability analysis, leveraging new Funds Transfer Pricing (FTP) models and Pro-forma FTP forecasts within asset-liability management practices. Additionally, data flows now assembled for compliance purposes can be leveraged in a cost efficient way to implement a framework for stress testing automation, providing some return on the investments into compliance infrastructures," adds Gaudin.

Pierre Gaudin is in charge of the Solutions Specialists team at Moody's Analytics, assisting business development in terms of Enterprise Risk Management expertise and client requirement analysis and user-case illustrations.

## 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. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of \$3.0 billion in 2013, employs approximately 8,500 people worldwide and maintains a presence in 31 countries. Further information is available at [www.moodysanalytics.com](http://www.moodysanalytics.com).