



MasonBreese **Basel Regime**

Releasing £0.5bn of capital over a five-year period

A real-life case study

The challenge

A household-name bank had a material opportunity to improve its regulatory approach to capital adequacy in a significant portion of a subsidiary group.

While the solution was understood and had been considered over several years, the data and systems were inadequate to support the reporting required, and the regulatory review framework was appropriate for standardised, but not advanced, reporting. The requisite credit models were in place, but their use was inadequate.





Our approach

MasonBreese implemented a two-year capital efficiency and management programme to:

- Design, build, test and implement new data feeds
- Remediate all data
- Write a waiver extension and negotiate with the Prudential Regulatory Authority (PRA) in London
- Implement new platforms
- Align products including books of wholesale lending and contingent obligations (guarantees, letters of credit, bonds)

Our approach - deliverables

Deliverable 1 - Design

The solution design required creation of a comprehensive plan of systems, data, reporting, operating model and implementation plan, with budget taken through local and group governance – to be delivered with a local team of 1.5 FTE and group support of one FTE.

Deliverable 2 - Data

Remediation of source data was a key element to successful delivery: working back to source systems and root causes, data entry and capture was addressed, together with monitoring and BAU remediation processes.

Deliverable 3 - Integration

Once remediated, new data feeds were implemented to facilitate joining of exposures with credit facilities, regulatory reporting, capital adequacy calculations, monitoring and compliance.

Operating Model

Extending a waiver permission to calculate capital adequacy under a Basel Advanced regime (AIRB or FIRB) requires the implementation of an extensive and intensive operating model to ensure ongoing compliance with the terms, applicability of credit models, and multiple 'lines of defence' to identify and remediate breaches. This was implemented across various jurisdictions, with training and documentation for a range of stakeholders.



The outcome

Following an extensive drafting and consultation period, together with six months of parallel running to 'prove' the data, the PRA issued a waiver permission extension allowing the adoption of the Advanced Internal Rating-Based approach across a wholesale lending book of £12bn limits.

The implementation had a five-year NPV in excess of £0.5bn, based on the consequent material capital release.

Furthermore, the business was left with a radically enhanced operating model for managing wholesale a large credit book.

With the significant improvements in pricing delivered by the project, the book was doubled in the next three years.



Facts and figures

£2.3m

Project costs
of £2.3m

£0.5bn

A five-year NPV in
excess of £0.5bn

£115m

Direct cost saving of
£115m cost per annum
in perpetuity

2x

Credit book doubled
over three years

Why **work with us?**

Thanks to our extensive and high-quality track record of delivery, we are trusted by our customers. However, we do not just complete the project, we also love to inspire, innovate and create, sharing our expertise and the pioneering ideas that our team produce throughout the process.

Every project is tailored to your specifications. From small- to large-scale projects, the MB team will partner with you to shape a solution that works for you and your organisation.

We focus on collaboration, working side by side with both you and your people, turning your goals into reality in a way that is sensitive to your culture and situation.

Our regulatory SMEs bring deep knowledge and experience of the Basel prudential regime and are well placed to help you to improve, enhance and implement better capital and liquidity measures.

We work in an ever-changing world and innovation is evolving rapidly, so we ensure all our digital consultants, business analysts and project managers are fully accredited

to use a number of processes and data automation tools, such as Alteryx and UiPath, whilst embracing all new digital technology.

*We love to inspire,
innovate and create.*

Get in touch to learn more

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