

Basel II Gap Analysis

The Assignment

The client, an investment bank in Saudi Arabia, was preparing itself for comprehensive compliance to Basel II norms. The gap analysis needed to comprise of a business gap analysis and a Data Gap analysis for the following:

- Standardized Approach and Internal Ratings Based Approaches
- Basic Indicator/Standardized/Advance Measurement Approach (IMA) of Operational Risk

The mandate was for finding the gaps in the bank's risk management framework to assess compliance with Basel II norms.

Our Solution

We conducted a gap analysis based on International Convergence of Capital Measurement and Capital Standards and applicable guidelines published by Saudi Arabian Monetary Agency (SAMA). On the basis of the Gap analysis, we developed an implementation roadmap for the bank, highlighting the tasks to be undertaken, responsibilities, efforts and cost estimates along with specific timelines for achieving Basel II compliance. We assisted the bank in setting up a dedicated Basel II Program Management division for overall program management, design and monitoring of Basel II implementation. We developed the relevant risk management policies and processes, a risk governance framework and designed credit and operational risk measurement models for the bank.

Takeaways for the Client

As a result of the gap analysis, the client received a gap report which detailed the tasks required for compliance with standardized approach and the internal ratings based approach. The report highlighted the gaps in the risk management process, organization, methodologies and modelling framework as well as detailed Basel II data definitions and validation, complete drill down of data mapping process from aggregate to field level, a consolidated detailed system/data gap analysis and ongoing monitoring and reporting process on gap resolutions. An implementation roadmap was provided to the client which contained a detailed description of tasks required to ensure Basel II compliance and a structured program with the required processes, procedures, communication and reporting.

ASSIGNMENT DETAILS

- ▲ SECTOR
BANKING
- ▲ DOMAIN
RISK MANAGEMENT
- ▲ GEOGRAPHY
MENA
- ▲ PROJECT DURATION
3 MONTHS