

## Basel II Reporting and Compliance Solution

### Client

A top ten global investment bank

### Business Area

Regulatory Reporting and Compliance, Risk Management, Middle Office

### Asset Classes

Commodities, Equities, Equity Derivatives, Fixed Income, FI Derivatives, FX, Loans

### Technology Set

Oracle, Informatica, J2EE, Cognos

### Integration

Worldwide trade and valuation data providers; accounting, regulatory and risk management applications

### User Profile

Finance and Financial control

### Geography

Worldwide

### Relationships Status

Ongoing ODC, T&M

### Services Provided

Full cycle: Business analysis, Development, QA/Testing, Maintenance

### Team Size

30+ team members (Luxoft)

### Duration

3+ years development and ongoing maintenance

### Summary

Develop a system for improved calculation and reporting of risk-weighted assets (RWA) for Basel II compliance.

### Business Challenge

Changes to the Basel II risk framework in 2008 compelled the bank to begin an initiative to upgrade its risk-weighted assets calculations and reporting to comply with the new regulatory requirements and for better capital management to support trading activities.

The bank's existing RWA processes were highly manual and time-consuming, limiting the ability to actively manage projected RWA and requiring significant and unprofitable capital buffers in order to be aligned with regulatory requirements.

The bank recognized the need to automate data collection to support the new risk calculation and to facilitate timelier reporting to achieve the main strategic objective to lower capital requirements by:

- Implementing a more sophisticated risk calculation model
- Providing for more frequent revaluation

To support the strategic goal, the technology solution had to meet these high-level objectives:

- Automated data collection of all attributes required for RWA calculation maintained in a central, unified repository
- Increase the frequency of the Basel II RWA calculation from monthly to weekly

### Luxoft Delivered Solution

The Luxoft team used an iterative approach to deliver critical business functionality faster. The following features were deployed on a monthly release schedule:

- Implementation of a unified data repository for consistent RWA calculation and reporting
- Automated, consolidated data collection for trade capture and valuation into a single, straight-through process
- Validation and monitoring of all incoming data using rule-based analysis for quality and exception alerts
- Web-based interface for manual reconciliations and adjustments to data quality exceptions
- Multiple file formats are accepted for inbound data feeds
- Customized, flexible, downstream reporting tools for credit risk and IFRS 7 disclosures

Luxoft successfully built a comprehensive, flexible, and scalable solution to that would allow for the addition of new upstream and downstream systems with minimum effort and cost. The main technologies applied were Informatica for ETL,

Oracle databases, a Java coding platform, and Cognos for reporting. Despite the complex organizational structure of the project team consisting of bank employees, multiple vendors and the Luxoft team, the project was delivered on time and within budget.

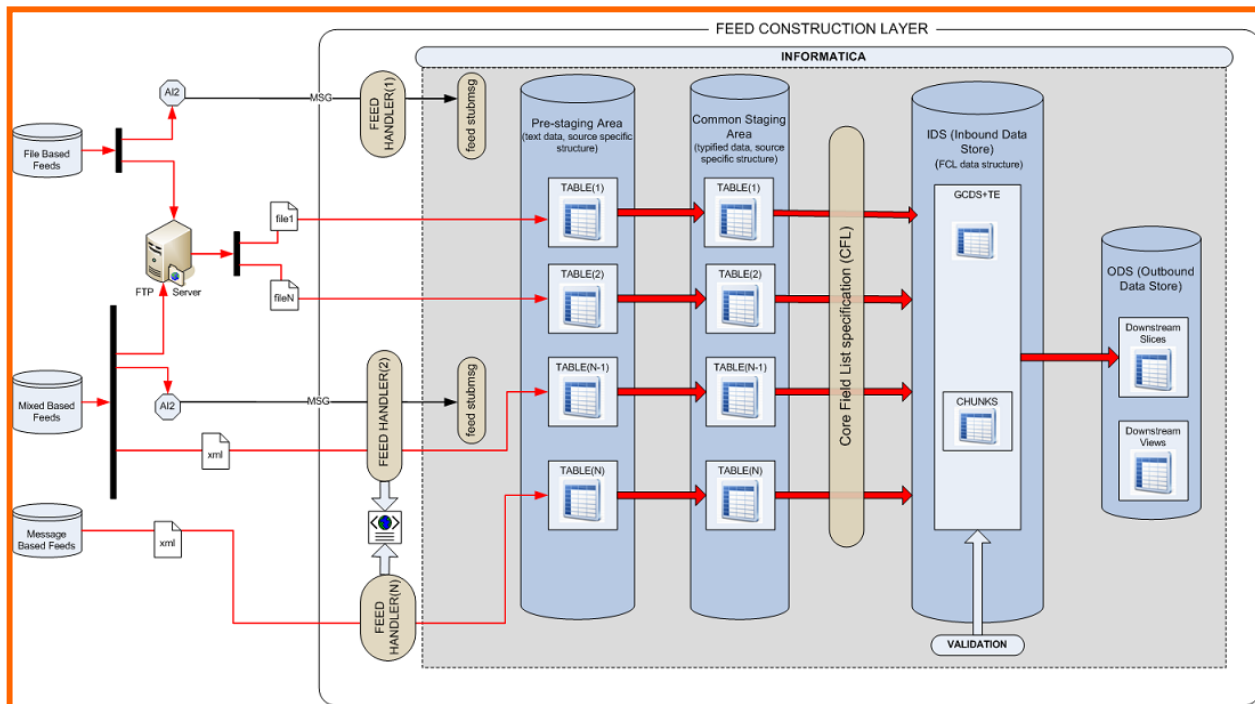


Figure 1: System Architecture for Basel II Calculation and Reporting

## Benefits

With Luxoft’s technical expertise and advanced business domain knowledge, the client realized the following benefits:

- Lowered capital requirements resulting from the transition to a Basel II risk model and more frequent revaluation
- Significantly improved data quality and availability by removing manual processes and providing rule-based governance of the incoming data
- Substantially improved capacity for both current and future business needs with a flexible, scalable, and cost-effective architecture
- Boosted performance and facilitated better decision-making via straight-through processing of trade capture and valuation data

## Customer Feedback

Detailed feedback is available upon request.