

ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Scorecard approach

AGENDA

1. Objectives
2. Process overview
3. Self - assessment
4. Aggregation of results

ICAAP & ILAAP SELF ASSESSMENT TOOLS

Leveraging on its experience and in line with market practices, Avantage Reply has developed ICAAP & ILAAP self assessments tools.

Interactive and easy to use, the self-assessment tools cover the key building blocks of ICAAP and ILAAP frameworks and provide an overview that will help benchmarking frameworks in place against supervisory expectations and best practices.

ICAAP and ILAAP integrated at the highest level of the organization is key for a proper use of both processes into the decision-making process.



**Harmonized framework
for both self-assessment
tools**



**Combined quantitative
and qualitative self rating
at a granular and
aggregated level**



**Collection of qualitative
statements for each
questions**



**Graphical presentation of
the results**

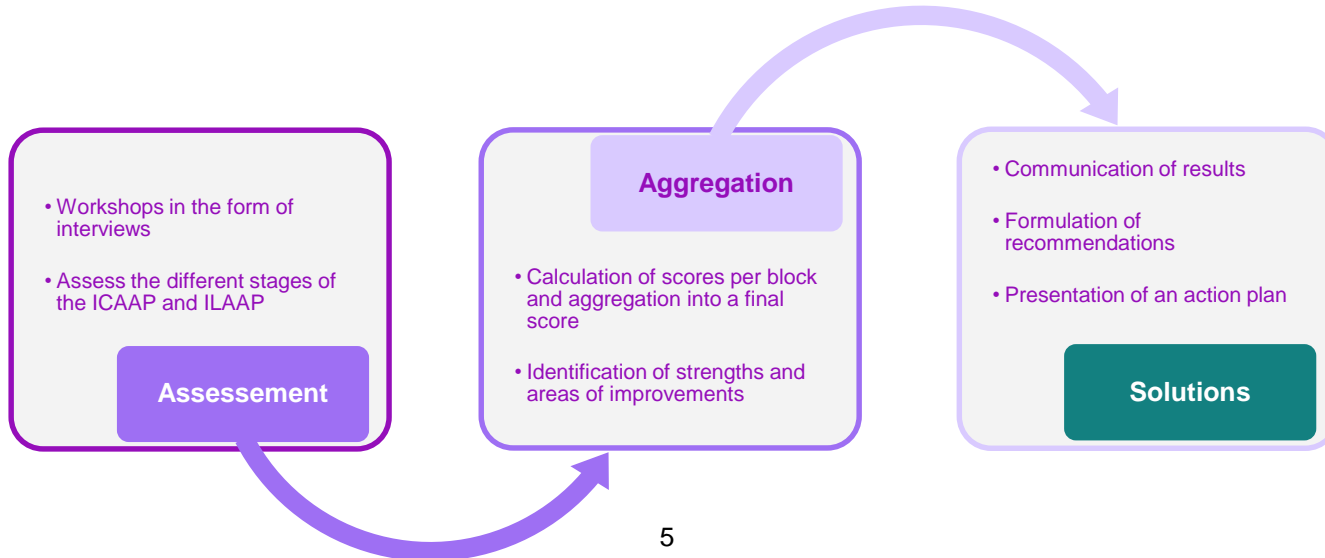
OBJECTIVES

- In order to help financial institutions to identify key weaknesses and areas of improvement on their ICAAP and ILAAP but also to meet the supervisory requirements within the scope of SREP, **these self – assessments** aim to:
 - ✓ Ensure that institutions have adequate business model assessments, governance arrangements, risk identification processes and modeling capabilities for capital and liquidity assessments ;
 - ✓ Ensure a proper integration of both ICAAP and ILAAP frameworks into strategic planning and decision-making processes ;
 - ✓ Provide financial institutions with the ability to conduct self-assessments through a scorecard approach on their current ICAAP and ILAAP frameworks in order to identify areas of improvements and to implement remediation actions for their future exercises.

ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Process Overview

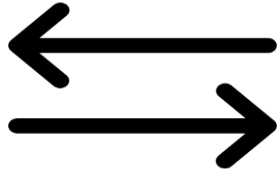
- The exercise is articulated in **three consecutive interdependent phases** based on supervisory requirements, benchmarks and best practices
- **The process is iterative** and allows an assessment at a specific level as well as at a broader level composed of homogeneous areas
- **Adjusted results and recommendations** are obtained through the end of the outcomes of the process



ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Preparation and approach

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan



Informal iterations with the sponsor and the key stakeholders of ICAAP / ILAAP processes for the collection of relevant informations and the targeted materials to conduct the self assessment



Estimated workload and number of workshops required



Workshops wave (tool implementation)

ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Scorecard approach – ICAAP & ILAAP questionnaire

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan

- > Questionnaires address a number of relevant topics per key building blocks
- > Hereafter are described the macro areas for each self-assessment
- > In each process, an assessment is conducted through a score per macro area to calculate an average score for the questions in that category

ICAAP questionnaire
1. Business Model Analysis
2. Risk Identification
3. Risk Management Framework
4. Economic & Normative Approach
5. Capital Management Framework
6. Linkage between ICAAP and other processes
7. Data, Infrastructure & Reporting

ILAAP questionnaire
1. Liquidity risk management framework
2. Liquidity risk strategy - BMA
3. Liquidity buffers & collaterals
4. Liquidity monitoring
5. Liquidity Stress testing
6. Liquidity & Fund transfer pricing
7. Liquidity management (intra group & intraday)
8. Market access
9. Contingency funding plan

ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Consolidation and analyses of the outcomes

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan



- > **Answers verification and certification**
- > **Adjustment of scores if necessary, based on comments received, expert judgment, or the size/business model of the institution.**
- > **Formalization of scores and their presentation - Demonstration of weaknesses - Drafting of recommendations**

ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Scoring per building block

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan

- > Four possible answers ranging within a level of 0% to 100% for each question, and corresponding scores from 1 to 4 for each answer

Possible answers	Score
(0% to 25%): No/Na - Preliminary state	1
(26% to 50%): Partially - need to be completed	2
(51% to 75%): Mostly - need to be improved	3
(76% to 100%) Fully - Compliant	4

- > Example of a sample of questions of ICAAP questionnaire

2	Risk Identification	6	Is there a taxonomy listing all of the bank's risks by combining top-down and bottom-up approaches within the bank?	(51% to 75%): Mostly - need to be improved	3,00	4
		7	Does the Bank identify risks at least once a year?	(76% to 100%) Fully - Compliant	4,00	
		8	Are the business lines well integrated into the risk identification process?	(51% to 75%): Mostly - need to be improved	3,00	
		9	Is there a uniform risk identification process for all business lines within the Bank?	(76% to 100%) Fully - Compliant	4,00	

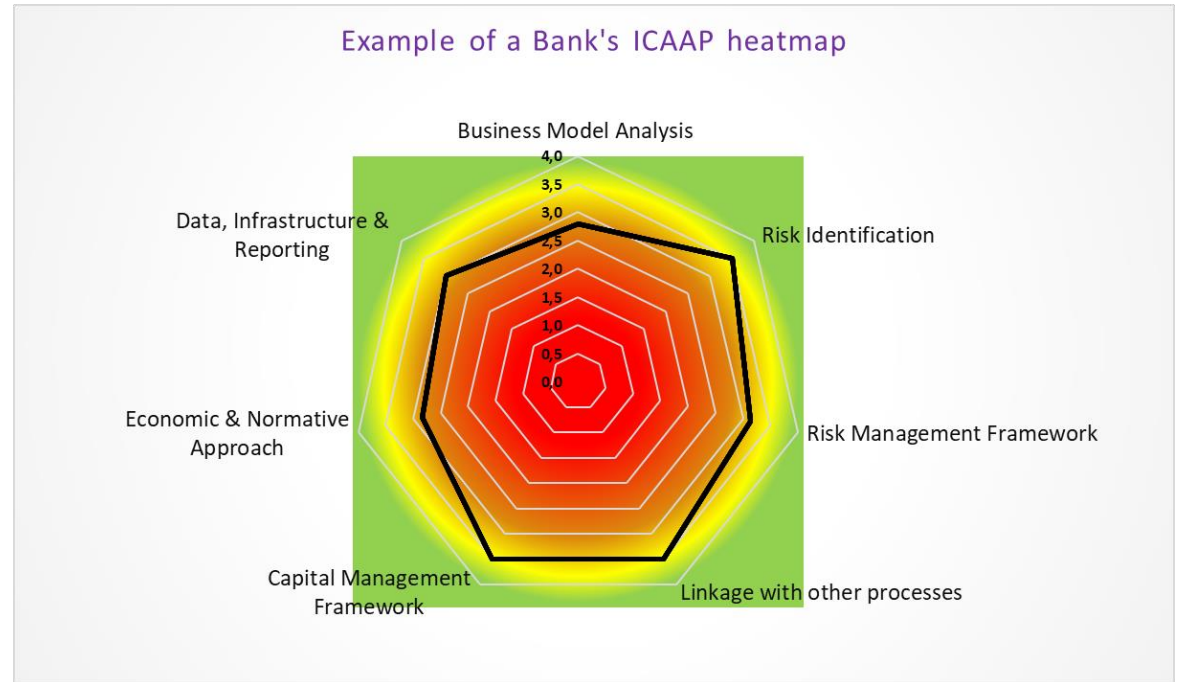
ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Outcomes aggregation

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan

The calculated scores for the questions of each main area are aggregated and presented through a heatmap to:

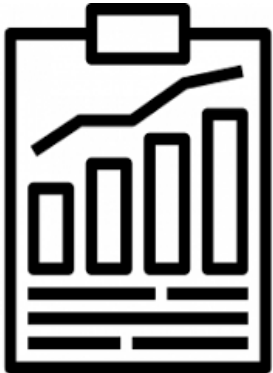
- > Help institution have a brief overview on the degree of maturity of their current ICAAP/ILAAP
- > Highlighting areas of weaknesses



ICAAP & ILAAP INTERNAL SELF-ASSESSMENT

Presentation of the outcomes and action plan

Step 1	Workshops - Interviews
Step 2	Score aggregation - adjustment
Step 3	Recommendations – action plan



- > **Presentation of the outcomes**
 - > **Score per building blocks**
 - > **Entity score presentation**
 - > **Main conclusions**
- > **Recommendations summary presentation and analysis**
- > **Detailed action plan articulated through streams to improve ICAAP and ILAAP frameworks efficiency, integration and compliance**

AVANTAGE REPLY FRANCE

Our service offering

Expert and methodological support in ALM, Finance and Risk around strategic risk management and management processes, governance of Finance and Risk functions, risk modeling and scarce resources (capital, liquidity) and stress tests



Finance Risk

- Our teams support CROs and CFOs from the design of target systems to operational implementation at Group or entity level.
- Our missions last from 1 month to 1 year. On average, they last 6 months.

	Strategy and governance	Steering	Modeling	Regulatory (transversal offer)
Finance	Business model assessment	ICAAP	P&L Modeling and Stress tests	<ul style="list-style-type: none"> • Regulatory watch • Regulatory strategy • Remediation • Project management
	Capital management governance	Capital allocation policy	Business / Capital modeling	
	Solvency stress testing governance	TLAC/MREL	Resolution modeling	
Risk	Risk governance	Material risk assessment	Pillar 1 Risk models design and validation	
	Model risk management	Risk appetite	Model risk tiering and scoring	
	Regulatory strategy	Recovery plan	Pillar 2 models and risk stress tests	
ALM	ALM governance	ILAAP	ALM risk metrics	
	ALM strategy (including hedging)	IRRBB	ALM models	
	Fund transfer pricing	Contingency plan	Liquidity stress tests	
Trading Activities	Desk strategy	P&L attribution	Pricing models	
	Desk hedging strategy	Market risk policy	Valuation/PVA	
	Model risk management	Limit framework	Risk models/Stress tests	
				SREP/TRIM
				BRRD
				CRR/CRD 4
				CRR2/CRD 5
				Guidelines EBA/BCE...



Strategic diagnosis, gap analysis and benchmarking



Definition and design of steering processes and dashboard



Organizational and governance redesign



Deployment and operational implementation



Modeling and Quantitative studies



Subject matter expert support

Contacts



Nathanael Sebbag
Associate Partner

Reply France
3 Rue du Faubourg Saint-Honoré
75008 Paris - France
tel +33 (0) 1 70 23 08 74
mob +33 (0) 6 29 47 16 10
www.reply.com
n.sebbag@reply.com