

BCBS239 - why's it so hard?

Following some simple rules will speed up successful BCBS239 outcome.

It's a set of principles. Actually it's a set of principles that it's very hard to disagree with in principle, and everyone would agree that they represent how businesses want to manage their risk reports every day.

So if that's the case, why is it so hard? If it's just good practice, aren't you doing it already? Can't you just pick out the information you need and show it to the regulator?

Of course not. If everyone were already working with the good practices there wouldn't be a problem. But, how did we end up with what is ostensibly just good practice creating a whole industry of consultancies, methodologies, sales pitches, each one saying "buy me, we understand the regulation and can make you compliant"?

As tempting as it is to use these, there is no silver bullet. Each firm has to work out what it means to adopt the best practice, because each firm is different. And - fundamentally - each firm has to work out how to make this part of every day life.

This is the key part, the core fundamentals embedded into what you do. Not a layer over the top trying to apply some special extra-curricular reporting.

So where do people go wrong?

In our experience, firms go wrong from the outset on many BCBS239 programmes. They look at engaging consultants to help them understand the principles then embark on large programmes of adding reporting layers. Fundamentally, they make three mistakes.

1. Trying to work out what to measure outside of normal operational process.

Chances are you have a daily (or more frequent process) for creating Value at Risk, as you have monthly processes for Risk Weighted Assets and similar for multiple other risk reports. We have worked with several clients who spent months trying to define additional metrics to report on VAR, rather than the critical metrics which help ensure an accurate, timely and complete outcome.

The point here is simple. Document your existing VAR creation process and define the critical metrics which drive a successful process outcome. You should end up with a collection of metrics of which some you look at today, and some additional ones you don't.

Companies getting this wrong have ended up defining literally thousands of additional KPIs which are not value adding and don't help achieve the outcome, but will provide the internal risk and control guys a load of RAG reports to look at.

The point here is focus and simplicity. Define what is critical to drive the outcome you need only, and focus on metrics which drive today's operational process of creating and managing risk metrics.

2. Looking at compliance not proactive prevention

The second issue we see is firms trying to treat BCBS239 compliance as a layer on top of operations with the outcome of providing a dashboard which sits outside of existing operational dashboards.

The fundamental question which needs to be addressed is "what do you do when it's red?" The answer is typically a process of RAG status reporting, issue tracking, root cause analysis etc etc.

Why not just stop the problem at amber before its red?

By defining amber status against the right KPIs, building in proactive alerting to operations and using existing reporting mechanisms, you can ensure you are compliant and green, and save money on additional inefficient escalation and control processes.

Key to prevention is being very clear and smart about the KPIs you will report on. We have seen firms spin endlessly on trying to define metrics in a clear measurable way. "Did you mean amber at 5pm, or before 5pm, or between 4:45 and 5pm? And is that every day, just Friday's or only on busy days above a certain volume?". If you've been in a BCBS239 programme you would have been involved in those discussions.

So experience in KPI and metric design is essential to cut through this conversation to rapidly define sensible, measurable KPIs which are actionable to prevent process breaks, and so support compliance.

3. Not leveraging what you have

In our experience, banks have highly automated systems and processes, and a plethora of monitoring and control systems.

Two key problems typically arise: they give you too much data and to can't make sense of it; they don't give you what you need so you create additional apps and tools to do more processing and monitoring.

In this situation, people treat BCBS239 as a technology solution which sits on top of the existing processing and monitoring layer.

This doesn't need to be the case. With a target of embedding control and remediation into existing processes it is far better to leverage existing systems and processes for monitoring. This reduces cost of implementation and critically ensures that what you create is already embedded into the bank's process and systems.

We have leveraged the existing monitoring systems - such as Geneos - in a number of areas to add additional monitoring to provide the insights you need without large tool investments.

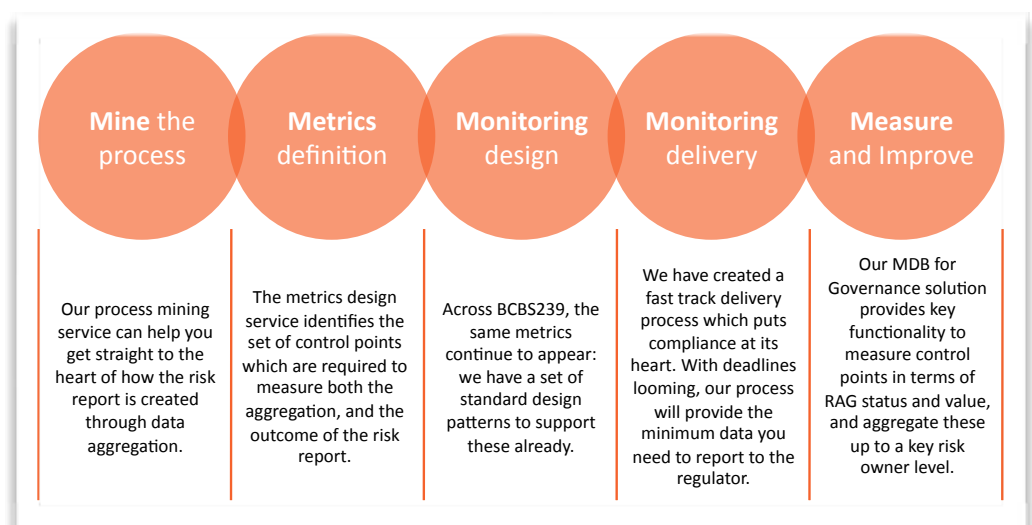
So how's Alpha Insight different?

Our work on BCBS239 has helped us recognise that its not a standard "regulator approved" dashboard or reporting framework which makes the difference. Its following the right approach in applying the principles.

We work with our clients to identify the minimum set of measurable control points and KPIs, and leverage their existing monitoring systems which are already embedded into every day process.

We can provide our MetricsDB, which is a golden source of metrics for overall reporting which can take a feed from your existing monitoring systems.

And our five step approach is proven for doing the BCBS239 monitoring and measurement



programme: our process mining and metrics design service gets rapidly to the heart of SMART metrics and KPIs within the operational process; our monitoring design service uses your existing monitoring tooling; our monitoring delivery services uses tried and tested technologies, and our measure and improve service provides tools and expertise to hone and tune the outcome.

So don't make the same mistakes others do. Don't think it's about buying "off the shelf" compliance dashboards and creating separate BCBS239 compliance solutions and layers.

Realise its about doing three things well:

1. Understand the existing processes for creating risk reports and what additional KPIs and metrics you need to ensure compliance
2. Aim to embed what you do into existing processes and provide early warning alerting, not retrospective compliance RAGs
3. Leverage what monitoring you have to save time and cost, whilst ensuring the new alerting and measurement is part of existing process.

AI provides turn key solutions and services from insight to implementation to give real time understanding of end to end business flows.

Get the Alpha Insight. For more information, email our information line at info@alpha-insight.co.uk or call the number below.