



BUREAU VAN DIJK



BNP PARIBAS

Solution highlights

- ▶ Provides a ratings solution which covers various counterparties, such as financial institution, corporate, public entities, structured and project finance, derivative and other CIB policies.
- ▶ Includes industry-specific financial templates, 21 counterparty and 15 facility rating models.
- ▶ Integrates with major information systems of BNP Paribas:
 - Central Counterparty Repository contains 500,000 counterparties with group relationships and portfolio information.
 - External Ratings Repository that manages issuer and issue ratings provided by external rating agencies.
 - Risk Repositories that manage BNP Paribas referentials such as sites, industries, exchange rates, users and various nomenclatures.
 - Loan origination systems, covering corporates, financial institutions and securitisation perimeters.
- ▶ Provides a French and English interface.
- ▶ Delivers a 24 hour a day, 7 days a week service to 1,500 users in 46 countries.
- ▶ Implements an email alert service to highlight overdue ratings and provide early warning signals.
- ▶ Integrates financial information from various providers and accounting practices such as Orbis, Bankscope and Reuters.

factcreditrisk.com

Case Study

Background

BNP Paribas is a European leader in global banking and financial services and one of the six strongest banks in the world. Within BNP Paribas, Group Risk Management (GRM) is a global, integrated, and independent division. GRM covers all business lines and territories and has the same organization as the group's other businesses. GRM is in charge of elaborating BNP Paribas' rating system in association with the banks different business lines. In 2010, GRM selected Bureau van Dijk (BvD) to create a group wide solution based on its FACT framework which would integrate all their current rating systems and interfaces into one consistent, centralised system.

The challenge

BNP Paribas' rating models were running on various solutions, built over time on different technologies with no real standardised process. Building a common framework was a challenge in itself. The first step was to gain the buy in from all contributors to make sure a standardised, coherent solution could be produced. The business imposed tight deadlines for the project with just 13 months to implement 20 Probability of Default (PD) models, a financial statement management system and a complex approval workflow. All of which had to integrate with the banks current repositories.

The two main parts of the solution were a financial analysis module and a rating platform module (covering counterparty and facility rating models, which included complex group and facility structures). Both parts of the solution had to be delivered at the same time and integrate with one another. This was challenging for both the management and configuration teams to balance each part of the solution to make sure they were delivered on time.

BNP Paribas project expectations:

- ▶ Use credit experts' time and skills more effectively, focusing more on value-added analysis.
- ▶ Increase the efficiency of rating processes.
- ▶ Deliver the new rating system quickly and efficiently to entities which are still using the standard approach, as well as future acquisitions.
- ▶ Improve the accuracy of risk estimates by using in depth analysis of risk drivers and back testing.
- ▶ Provide greater transparency of the assignment of ratings, resulting in more control and making ratings easier to audit.

The project

BNP Paribas designed the architecture based on FACT, bringing together all current systems and processes. BvD worked on the functional design of the solution and teamed up with BNP Paribas to produce the system configuration. A thorough change management process, and accompanying communication plan, was created to provide efficient support and to maximize the acceptance of the new solution. Customised security configuration was required so specific staff could access restricted portfolios and facility baskets. A new multi-instance batch process was required to effectively process the large volumes of data involved with the project. Throughout the project, user change requests were dealt with quickly and efficiently to increase acceptance and overall usage.

The solution

The FACT solution enabled:

- ▶ Shorter 'time-to-market' for implementing new rating policies and upgrading existing models compared to internal development.
- ▶ International access to the solution and quick local deployment.
- ▶ Management of multi-standard financial data (IFRS and Local GAAP), from various data providers.
- ▶ Restriction of access to sensitive client information - banking secrecy management.
- ▶ An automated alert service.
- ▶ Integration with the bank's internal systems.
- ▶ Data storage with the facility to produce historical auditing and thorough data validation.

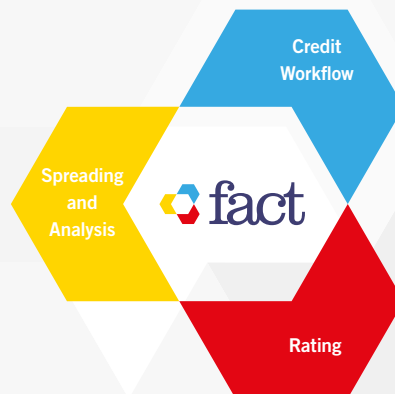
The solution provided independent analysis and validation for the following credit risk policies:

- ▶ Financial data management
- ▶ Counterparty rating
- ▶ LGD unsecured and secured

This included the integration of worksheets and formal analytical processes which utilised a range of templates to compute counterparty ratings and EAD/PD.

On going development

The next phase of the project is to integrate the solution with limit and exposure data and to provide more in depth data extracts for model calibration. This will be followed by the implementation of financial forecasting models. More subsidiaries will adopt the new solution with the aim of increasing user levels to 8,000.



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FACT is a service from Bureau van Dijk