

Financial Services & Treasury Risk Management (FSTRM) – Risk Consulting

June, 2023



FSTRM Services help financial institutes and corporates manage their Financial, Capital, Credit, Market, and Climate Risk



- Capital Management**
Review and develop effective capital management (Pillar 1 and Pillar 2) frameworks in line with business growth in normal conditions and under Stress Scenarios. Develop risk appetite framework
- Credit Risk Management**
Develop proactive risk management framework for managing credit risk covering policy, processes, account & portfolio level quantifications and monitoring
- Market Risk Management & ALM**
Manage risks associated to market volatility viz. equity, debt, commodity and forex markets and quantification. Valuation of financial instruments, derivatives and hedge effective testing . ALM on balance sheet exposure
- Climate Risk Management**
Develop effective climate risk management framework for managing transition and physical risks. Develop quantification framework and scenario analysis for Pillar 2 risk
- Actuarial Services**
Develop and manage capital, product development, pricing of insurance products and risk and asset liability management, actuary due diligence
- Treasury Risk Management**
Confidently prepare and respond to risks associated with cash and working capital management and managing financial risks like Forex, Interest Rate

GICs - Change Management

Capital Management

Capital is the scarcest resource in the financial services industry. Chief executives across financial institutions, e.g. banks, non-banking financial companies are actively involved in capital management and efficient allocation of capital as per business needs. Capital Management involves major aspects such as Stress Testing, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). Our Financial Risk & Regulations team supports financial institutions in reviewing and framing of Stress Testing policy for credit risk, market risk, liquidity risk and reviewing and development of ICAAP/ILAAP frameworks.



Benefits



Effectively manage portfolio composition and capital allocation decisions and understand overall balance sheet health



Effectively manage liquidity, risk profile, resources/controls with robust ICAAP framework



Build a holistic and a forward-looking approach to liquidity through ILAAP frameworks



Timely adhere to the regulatory requirement and compliances as per regulatory requirement

Deliverables



Stress testing and ICAAP policy framework covering governance and risk appetite



Review & framing of Stress testing policy for credit risk, market risk and liquidity risk



Review of ICAAP document / models for the bank



Development of material risk models like reputational risk, concentration risk & group risk



Development & validation of the ICAAP/ILAAP for the bank



Assist the Bank in presentation of Pillar I and II capital for each of the risks in the ICAAP document



Assist in presenting the available capital versus the required capital and the resulting capital buffer

Credit Risk Management

Today, risk management has become a dynamic and global field that has a far-reaching impact on the banks & FIs. Credit risk is one of the key risks that banks, FIs and to a certain extent corporates are exposed to in an increasingly complex environment. Our approach helps business leaders embed a proactive and dynamic risk management capability and mindset into leading practices in credit risk, right from strategic planning to implementation. Our areas of expertise include - development and review / validation of credit risk management framework including governance, credit risk policies & processes, credit risk appetite and tolerance, credit risk rating / scoring model, IFRS 9 ECL policy and models.



Benefits



Improved credit decisioning with the new/ redeveloped/ refined scorecards



Institutionalise robust credit risk governance, risk management framework, policies and processes



Minimise losses by application of alternative and bureau data in credit decisioning and monitoring



Manage regulatory compliances in terms of IFRS 9 ECL, ICAAP and stress testing etc.

Deliverables



Credit risk management governance & framework



Policy documents such as credit risk policy, model risk policy, credit risk model validation policy, etc.



Gap assessment report for existing risk management framework & governance



Credit risk models along with development documents



IFRS 9 ECL along with documentation and policy & methodology document & model validation report



Template/Tool for IFRS 9 ECL computation

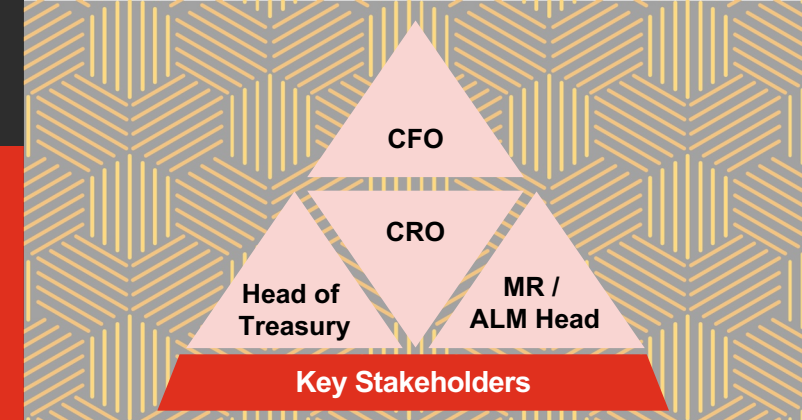


Stress testing framework along with working template

Market Risk Management & ALM

Market Risk is generally defined as the risk of the mark to market value portfolio, instrument or investment increasing or decreasing as a result of volatility and unpredicted movement in market valuations. Banks are faced by four major market risks; Interest Rate Risk, Foreign Exchange Risks, Equity Price Risks and Commodity Price Risks.

ALM is the management of both assets and liabilities in order to control the balance sheet risk/return under changes in market factors. Our team analyses each risk factor as per a predefined operating model and engages with key stakeholders at the bank to map the entire projection process, understand the underlying modeling approaches, assumptions and their associated limitations.



Benefits



Minimise losses by mitigating market risk with a well-defined risk measurement and monitoring mechanism



Effectively limit market risk with a comprehensive Market Risk Management framework and predefined strategies



Enable robust governance structure customised to complexity of your organisation



Timely adherence to the regulatory requirement and compliances as per market risk guidelines

Deliverables



Market risk management policy framework covering governance and risk appetite



Report on the Independent price verification and validation of risk sensitivities



Development of statistical measurement methodologies



Computation of Market Risk capital charge, stress testing framework and review of market risk scenarios



Market Risk model validation output report



Templates for measurement and monitoring of Market Risk

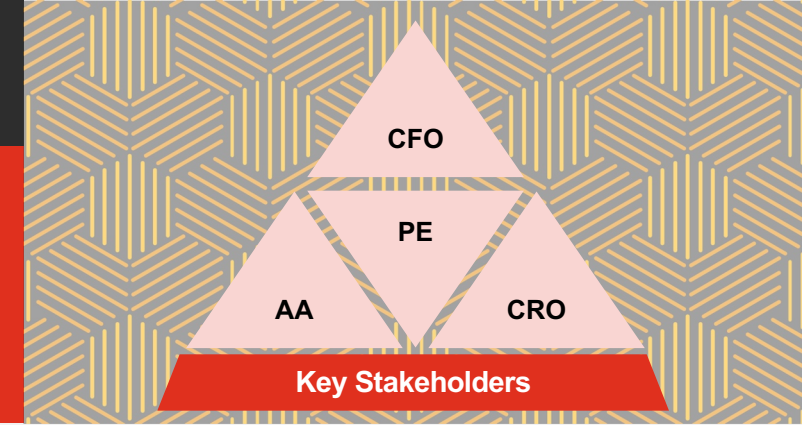


Supporting banks in their LIBOR transition journey

Actuarial Services

Actuaries are the backbone of insurance companies and are involved in various aspects of insurance business. The service includes product development, pricing of insurance products, valuation for statutory, shareholder purpose, accounting on IGAAP, IFRS 17, risk management and asset liability management.

In addition, the actuarial capability helps and support clients in performing required regulatory reviews, due diligence for potential buyers/sellers, managing their insurance liability requirements, transiting to new regulatory and market requirements and offering new products to its customers



Benefits



Support strategic initiatives towards identification and development of new products, new insurance entrants



Well-governed actuarial models and process aimed at having robust market and regulatory consistent methodology



Eliminate skill gap and reduce human capital cost by leveraging highly skilled and professional resources



Timely adherence to the regulatory requirement and compliances as per market risk guidelines

Deliverables



Actuarial Review Report



Comprehensive and advanced Actuarial Models



Product Pricing Notes including regulatory filing documents and product brochures



Gap Assessment and Implementation plan for new initiatives



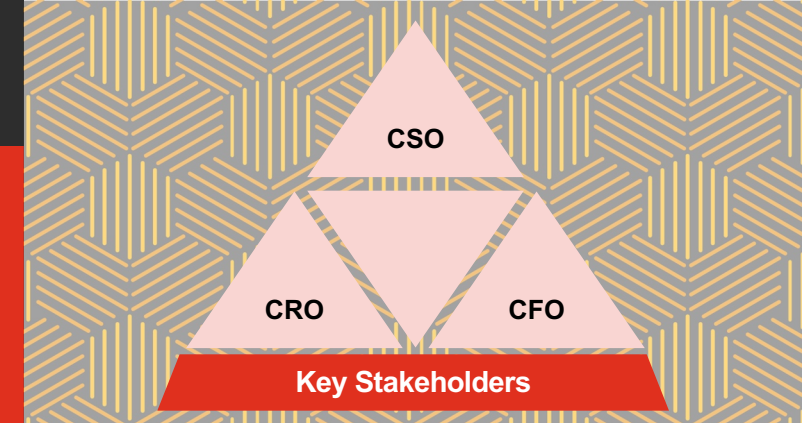
Detailed valuation report with KPI/performance indicators



Supporting insurance in their IFRS journey

Climate Risk Management

Climate Risk poses significant tail risks with catastrophic system wide consequences to the stability of entire financial systems. Climate risk act as new risk drivers which change the characteristics of prevailing risks and affect how those risks impact financial institutions. Climate change developments will therefore require changes in the way financial institutions manage and mitigate their prevailing risks. PwC's Financial Risk & Regulations team guides and supports clients to understand climate risk & assess its potential impact on the financial ecosystem. Climate change is an emerging risk that needs a structured & calibrated approach so that risk is mitigated.



Benefits



Benchmarking of global regulations on climate risk across leading economies helps the client build a realistic climate risk management roadmap



Enables the client to understand sensitivity to transition risk with existing data with a novel framework



Enables the organization have an early start on climate risk management for an effective governance & strategy framework



Provides impact assessment of climate risk on client portfolio & quantify its impact on Pillar 2

Deliverables



Climate Risk Management Roadmap



Climate Risk Governance & Strategy Framework



Climate Risk Sensitivity Assessment



Climate Related Scenario Analysis & Stress Testing



Reporting & Disclosures

Change Management for Risk, Finance and Treasury

Change is inevitable. The business changes. The technology changes. The strategies change. The team members change. The problem isn't change, because change is going to happen; the problem is inability to cope with change when it comes. – Kent Beck
 Our structured approach to Change Management begins with understanding the stakeholders needs, expectations and desires and translating them into deliverables, products, benefits and values. We have successfully delivered global change programmes for Tier 1 banks and Investment banks across Financial Risk, Finance, Treasury & Regulatory Reporting. We have the depth and breadth of functional and techno-functional capabilities required to help clients succeed in driving global transformation across design, op model definition, implementation, testing, go-live and production release.



Benefits



Program Management and PMO: Stakeholder engagement, Project Charter, Planning, Scoping and Scheduling, Risk management, Quality Control, Time/Cost/Benefit Analysis, Budgeting and Forecasting, Monitoring and Reporting



Data Analyst: Data strategy and architecture; Create Target State Strategic Data flows, Data Lineage and Data Dictionary Artefacts, Define taxonomy, Data enrichment, transformation and standardization, Ownership and Control; Create Data Quality reports and dashboard, Reconciliations and Control design



Business Analyst: Requirement's Life cycle management – BRDs, FRDs, CRs, As-Is vs To-be/Gap Analysis and POC's, Integration, Functional and User acceptance testing, Requirements Traceability, Test Scenarios and Conditions, Daily Incident tracking, management and reporting, System Walkthrough/Trainings, Business Go-Live support and Sign-Offs.



Scrum Master : Implement Project Management/Best Practices, Introduce Agile Engineering Practices, Coaching Team Members, Hosting Daily Stand-up Meetings, Assisting the Product Owner With the Product Backlog and removing backlogs

Sample Projects



Risk & Finance Transformations

- Single SUB GL & GL Implementation;
- Single Finance & Risk Data Store



Sales & Trading Migrations

- MiFID II, LIBOR transition, BREXIT implementation
- Strategic Proprietary Trading Platform implementation



Regulatory reporting & Compliance

- BASEL IV enhancements
- FRTB Implementation
- EMIR REFIT



Treasury & Middle Office Transformations

- LCR & NSFR implementations
- Lineage across Treasury & Finance systems



Securitization Regulation

- Mortgage & Structured Credit Products Regulatory reporting
- Build & Implement in-house secured function platform / solution



Data & Technology

- Data onboarding & Data modelling for ESG disclosures
- Enhance Risk Data Aggregation & Reporting based on BCBS 239 principles

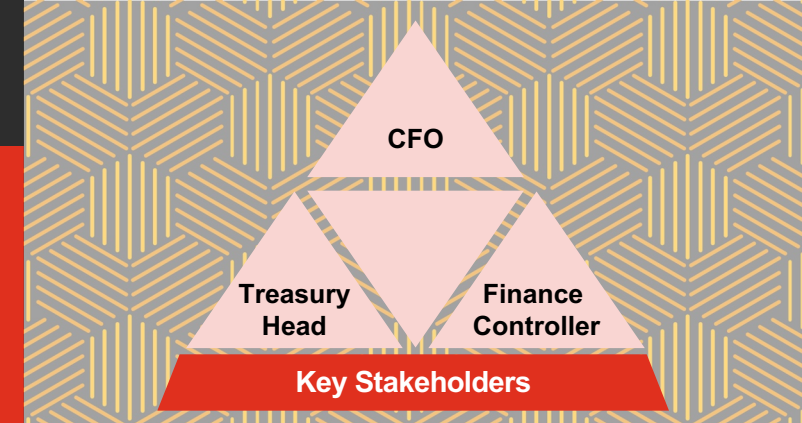


Data & Technology

- Data modelling & lineage across Risk Technology transformation program
- Finance Data Governance Framework

Corporate Treasury Risk Management

Corporates today are scaling business with the objective to generate highest value for their stakeholders. As businesses grow, organisations are required to upgrade treasury processes to better support their growth, transition treasury from a historic cost centre model and bring processes in line with best practice. This comes with various risks associated with movements in foreign exchange, interest rate and commodity prices along with liquidity management including cash forecasting. PwC's Financial Risk & Regulations team guides and supports clients to establish a treasury framework that is aligned with the growing business needs.



Benefits



Minimise losses by effectively reducing the financial risk of your organization



Improve efficiency, robustness and internal control of treasury processes



Improve financial performance by reducing cost of capital



Enable prompt and timely decision making through robust governance and automated reporting systems

Deliverables



Treasury maturity profile



Treasury target operating model design



Treasury policy framework for risk management, cash and liquidity management, surplus investments and capital management



Hedge accounting framework



Detailed risk control matrix along with KPI/performance indicators



Recommendations in the areas of governance, policies and procedures, analytics and reporting, data and infrastructure

Thank you

Data classification: DC0 (Public)

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RC – FSTRM Service Landscape

Our success is based on our two key parameters

01

Focused Clientele

We focus on key clients in each of the service area

- Banking – SBI, ICICI Bank, HDFC Bank
- Insurance – ICICI Pru, SBI GI, Tata AIA, Metlife
- Corporate – Tata, Adani, L&T, Olam
- GIC – Morgan Stanley, NatWest, Standard Chartered
- Multilateral Agencies – Asian Development Bank, World Bank

We also hunt for the new clients at the same time

- Banking – RBL, IndusInd Bank, AU SFB
- Insurance – Max Life, Future Generali
- Corporate – ETC, IIFL, Vedanta
- GIC – London Stock Exchange, CITI
- Multilateral Agencies – MCC

02

Relationship & Propositions

We work very closely with xLos in domestic market in creating value propositions

- LIBOR – Tech Consulting, CMAAS, Tax, RAS- C&C
- IFRS 17 – Data & Analytics, CMAAS
- Corporate Treasury Transformation – MC S&O
- Climate Risk - ESG Sustainability
- IFRS 9 – CMAAS, Assurance

We jointly work with corridor and leverage PwC network

- Middle East
- Asia Pacific