

**Aurexia**

## Insights

How to tackle recent regulatory guidelines on loans and credit risk regulatory reporting ?

June 2021

**BRINGING VALUE  
TOGETHER**

# Common sourcing approach to tackle increasing regulatory reporting requirements

Among the many regulatory initiatives and requests, the Loan Tapes (LT), Valuation Data Set (VDS), Loan Origination & Monitoring (LOM) and Environmental, Social & Governance (ESG) are the most important initiatives and are based on similar / equivalent data. It is therefore interesting to opt for a common approach.

More than 400 data are requested by these needs at Group level.

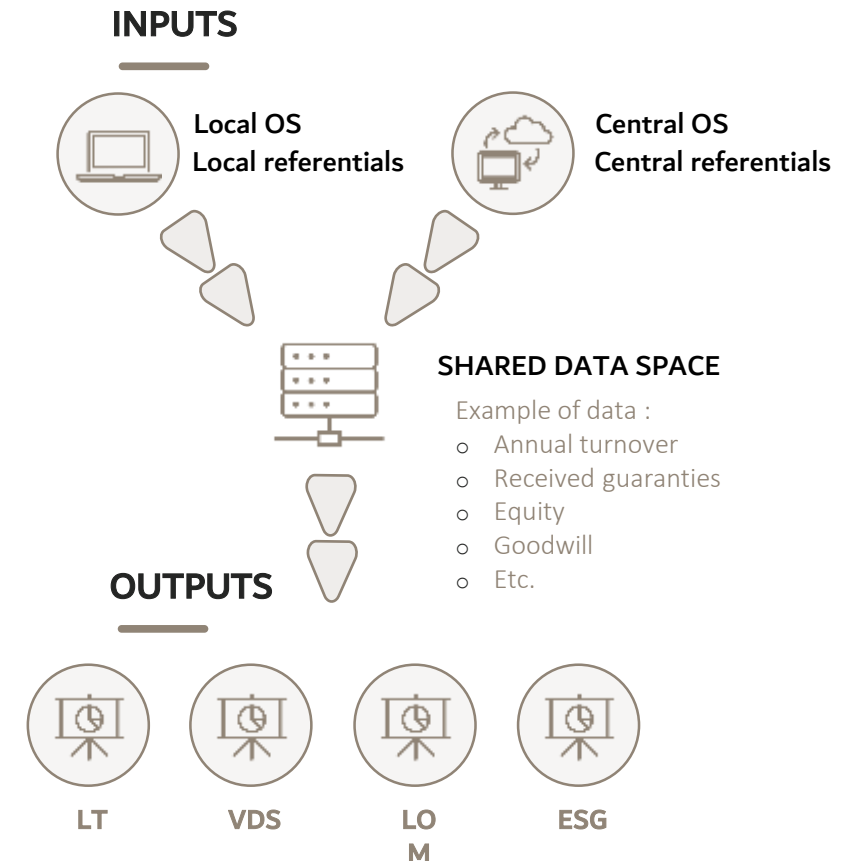
## REGULATORY CONTEXT

- Recent Credit Risks initiatives by European regulators/supervisors regarding bank's processes to provide common data on a short time frame at a granular level.
- Banks must prepare, collect, aggregate and submit the data on a timely basis at both Group and Local levels.
- With the proliferation of regulatory reporting (AnaCredit, LT, VDS, LOM, ESG...), the challenge now is to exploit synergies while improving and monitoring data quality.

## CHALLENGES

Banks should comply with new regulatory instructions by :

- Identifying existing reports in which data is already present
- Putting in place, and follow remediation plan on existing data
- Adapting the architecture of information systems to prepare, collect, aggregate and submit new data
- Ensuring the reliability of the systems and optimizing information-gathering processes
- Coordinating the various central and local teams on matching of regulatory needs and the collection of data/information



## LT

### LOAN TAPES

- Credit and Credit Risk granular data reporting
- Standardize the existing Loan Tape reports in order to get a shared space of data covering the major Loan tape data needs

#### TYPE

Contracts / Amounts / Third parties / Guarantees / Entities

#### EXAMPLES

EBITDA / Net debt / Goodwill / Monthly turnover

#### VOLUME

More than 150 data attributes

## VDS

### VALUATION DATA SET

- Minimum data requested by the Single Resolution Board in case of resolution
- Granular and reliable reporting regarding the economic situation on a specific date defined by the supervisor
- Evaluate the bank's capacity to collect and provide granular data in a short period

#### TYPE

Contracts / Securities / Third Parties / Guarantees / Amounts

#### EXAMPLES

Type of impairment test / FBE indicator / CTM / Enterprise size / Legal form

#### VOLUME

More than 100 data attributes

## LOM

### LOAN ORIGINATION & MONITORING

- Harmonize, strengthen and monitor credit processes within the institutions
- Verify that all the personnel involved in the credit approval chain are in tune with risk culture and RAF (Risk Appetite Framework)
- Identify all the process differences between the bank's processes and those recommend by EBA

#### TYPE

Third-parties / Contracts / entities / Amounts

#### EXAMPLES

Return on equity / Net profit margin / Gross leverage ratio current / ROA

#### VOLUME

More than 50 data attributes

## ESG

### ENVIRONMENTAL, SOCIAL & GOVERNANCE

- Implement environmental, social and governance criteria in the bank's financial management
- Orient financial reports towards a sustainable standards framework

#### TYPE

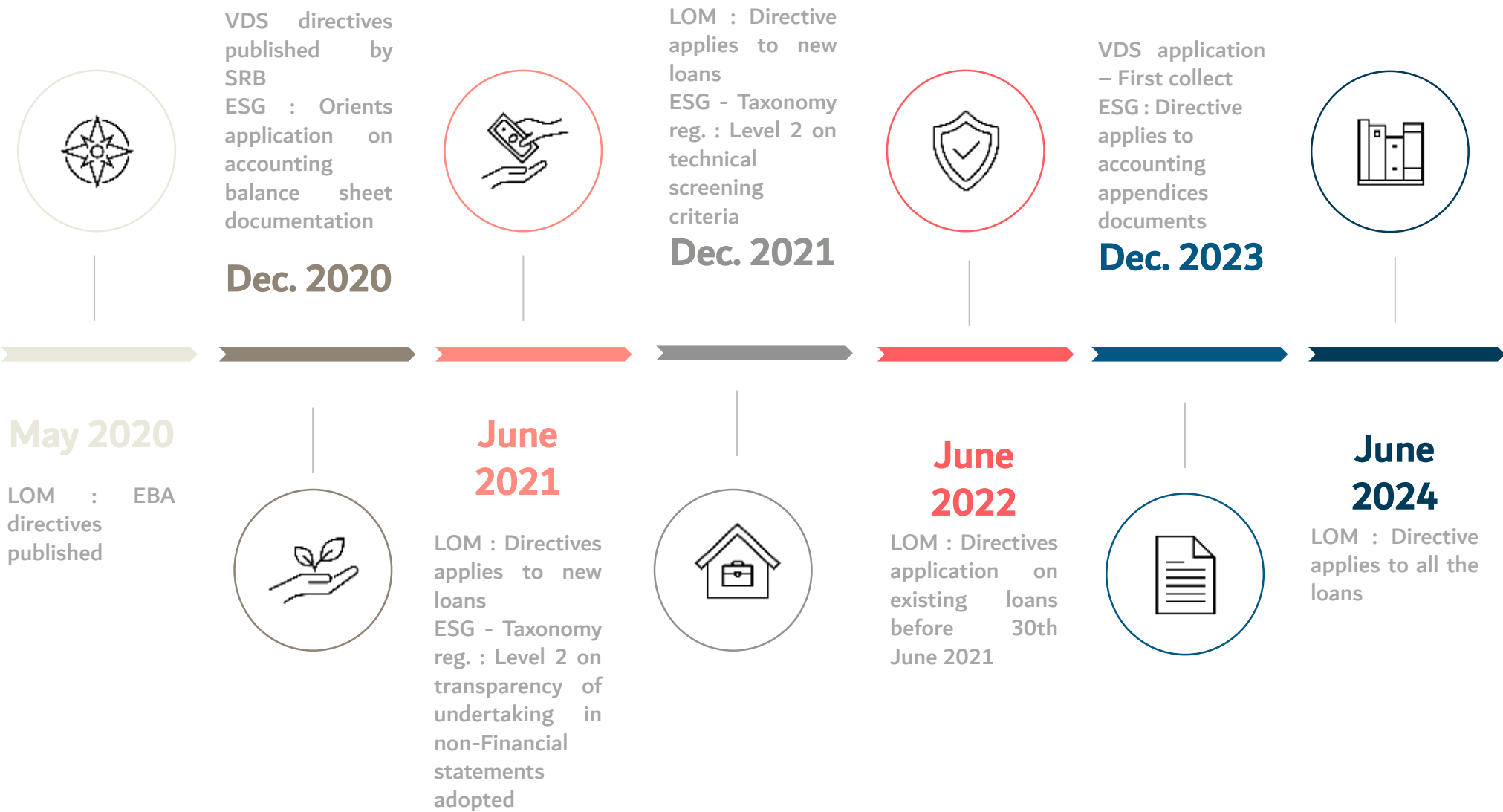
Contracts / Third parties / Guarantees data

#### EXAMPLES

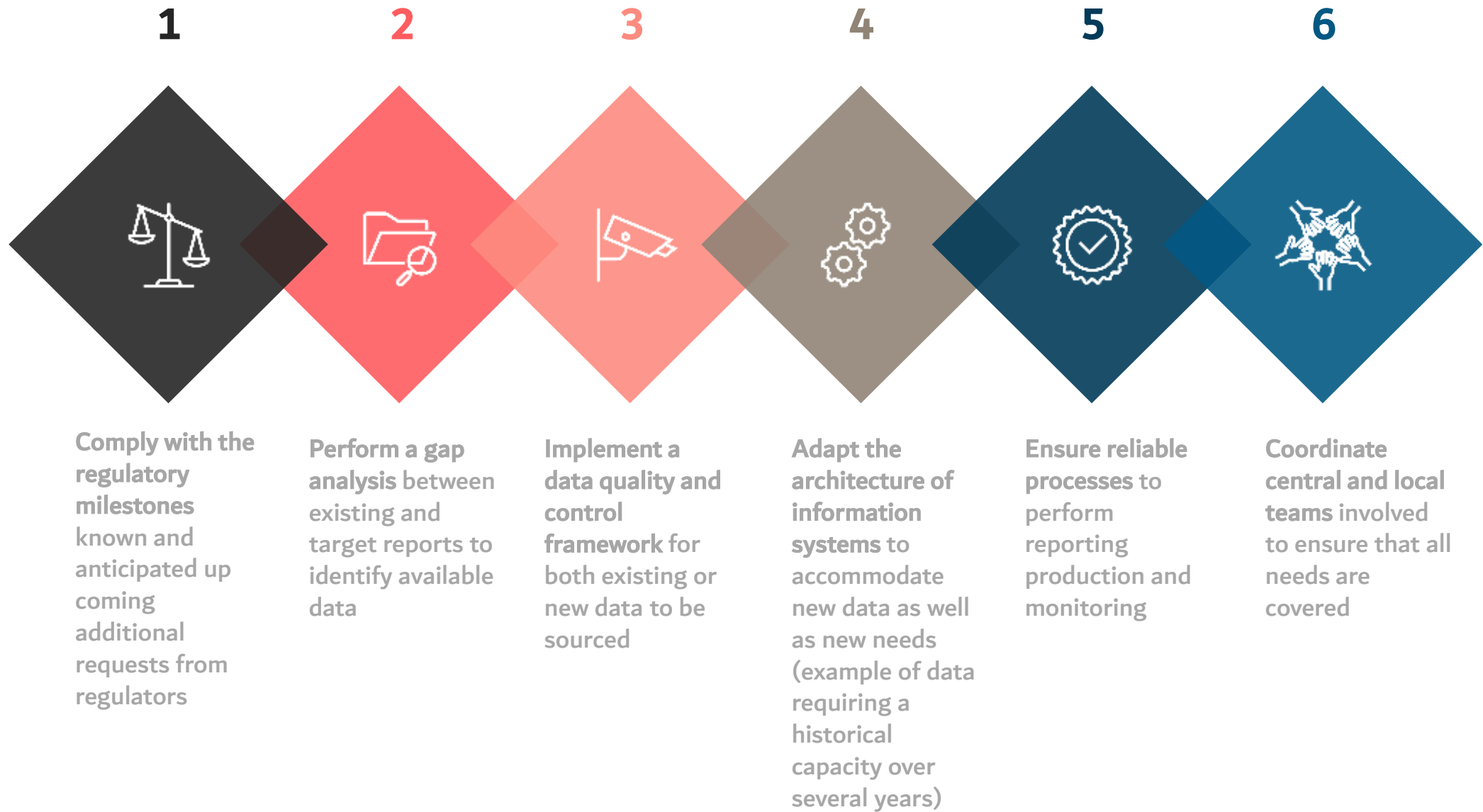
Address (street) / City real estate / Player type / EPC label / EPC value

#### VOLUME

More than 20 data attributes



# For banking establishments, the challenges are multiples ...



EXPERTISE & REFERENCES

The Aurexia firm has already been involved in many regulatory projects within the major actors in the market, such as AnaCredit / IFRS 9 / Stress tests / LOM / etc.



On-going assignments with major banking groups



Projects involving different actions: Operational declination of regulatory guidelines, analysis of data to be sourced, challenge of the group's target solution definition, workshops with the various contributors/stakeholders at central/local levels, etc.



4 consultants are currently involved in the management of the implementation of LT/VDS/LOM/ESG

REGULATORY WATCH

Regulatory watches are currently and regularly carried out to capture needs and anticipate solutions.



BENCHMARK

Around 20 Aurexia consultants are currently working with several banks on these regulatory matters.



INNOVATIVE APPROACH

Capture of Fintechs or Vendors solutions that may be relevant. Capacity to deliver ready-to-use tools Use agile methodology to reach regulatory timeline milestones





## Contact us



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# Aurexia

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Bringing value, together