



G-SIBs

Global Systemically Important
Banks

For a better monitoring of G-SIBs impacts

19/11/2018

G-SIBs overview - A regulatory response to reinforce global financial stability

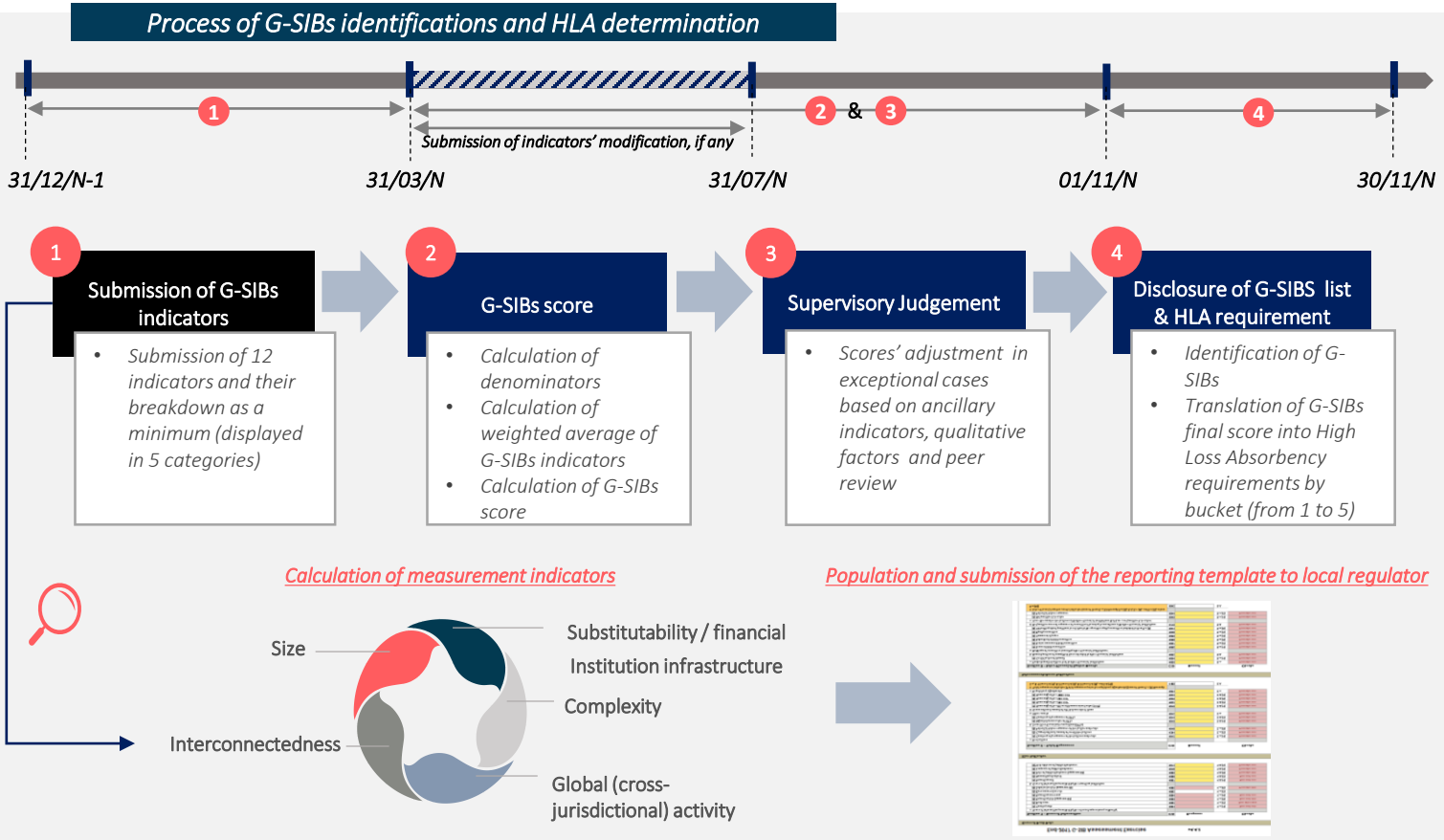
As a regulatory response to the last financial crisis and the failure of large financial institutions, the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) identified a list of Global Systemically Important Banks (G-SIBs), based on BCBS methodology, in order to avoid significant disruption to the financial system and the economic activity. Since the first publication of G-SIBs list in November 2011, identified systemic banks are required, among other obligations, to fund themselves with an additional percentage of CET1 depending on their systemic profile.

G-SIBs framework

- The main sample is composed of:
 - > The largest 75 banks as determined by the leverage ratio exposure measure
 - > Banks that were designated as G-SIBs in the prior exercise but are not in the top 75
- Applicable to credit institutions at consolidated level

- Public communications on G-SIBs are issued annually by November (Year N)

- G-SIBs capital buffer requirements apply fourteen months later in January (Year N+2)
- G-SIBs are determined through a methodology and are subject to :
 - > Stricter capital requirements so as to better absorb any losses (**Additional percentage of CET1 comprised between 1% and 3,5% displayed in 5 buckets**)
 - > TLAC standard requirements
 - > Additional supervisory requirements that may apply to them, such as the obligation to draw up recovery and resolution plans



Focus on indicators and score calculation

Requirements



Indicators calculation by banks

- The assessment methodology approach comprises five broad categories. The following 12 indicators are to be calculated as a minimum by banks:

Category	Indicators
Size (20%)	Total Exposures
Interconnectedness (20%)	Intra-Financial system Assets
	Intra-Financial system Liabilities
	Securities outstanding
Substitutes/financial institution infrastructure (20%)	Payments made in the reporting,
	Assets under custody
	Underwritten transactions in Debt and Equity markets
Global (cross-jurisdictional) activity (20%)	Cross-jurisdictional claims
	Cross jurisdictional liabilities
Complexity (20%)	Notional amount of OTC derivatives
	Trading and available-for-sale securities
	Level 3 assets

- The indicators are submitted to local regulator through a reporting template
- Starting from 2021 exercise, a new indicator “Trading volume” will be added in “Substitutes/ financial institution infrastructure” category



Score calculation by regulator & HLA requirement identification

- A bank’s score consists of a weighted average of 12 indicators across 5 categories.
- The score is calculated as per the following steps:
 - 1 $\frac{\text{Bank indicators (euros)}}{\text{Sample total (euros)}} \times 10,000 = \text{Indicator Score (bps)}$
 - 2 For each category, $\sum (\text{Indicator Score (bps)} \times \text{Relevant weight of indicator}) = \text{raw score by category}$
 - 3 $\sum (\text{raw score by category}) / 5 = \text{The raw final score}$
 - 4 The final score is rounded to the nearest whole basis point to obtain **the final global score**
 - 5 The final score (after supervisory judgment if any) is translated into HLA requirement using the score range

G-SIB Buckets	
Bucket 5 (+3.5% CET1)	530-629
Bucket 4 (+2.5% CET1)	430-529
Bucket 3 (+2.0% CET1)	330-429
Bucket 2 (+1.5% CET1)	230-329
Bucket 1 (+1.0% CET1)	130-229

*Denominators are disclosed by the regulator further to indicators submission by banks as they correspond to the sample totals (coming out of 75 G-SIFIs banks included in the sample)



Aurexia can support you in the following tasks:



Assist on methodology understanding at Business Lines Level

- ✓ A tailored understanding / definition to meet business lines requirements



Industrialization and automatization of required calculation and monitoring

- ✓ Rely on the latest available / agile technologies (Advanced Analytics solutions, Data Visualisation)



Set-up of reporting and monitoring processes

- ✓ Build an automated process for a more user friendly tool
- ✓ Conduct of change management



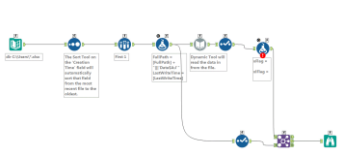
Implement new changes if required

- ✓ An evolving tool to cope with new requirements (widening scope, new products, ...)

Credential

Aurexia has conducted an assignment to support a CIB entity in the set-up of G-SIBs score calculation and monitoring:


- Review/define G-SIBs score calculation methodology at Business Lines' Level
- Definition of reporting solution based on latest technologies with 2 modules:
 - ✓ G-SIBs score calculation module
 - ✓ G-SIBs forecast module to monitor G-SIBs footprint at business lines level based on hypothesis
- Definition of the calculations' restitution in data visualization tool
- Draft of functional specifications
- Supervision of the tools implementation and testing
- Conduct of change management (trainings, documentation)





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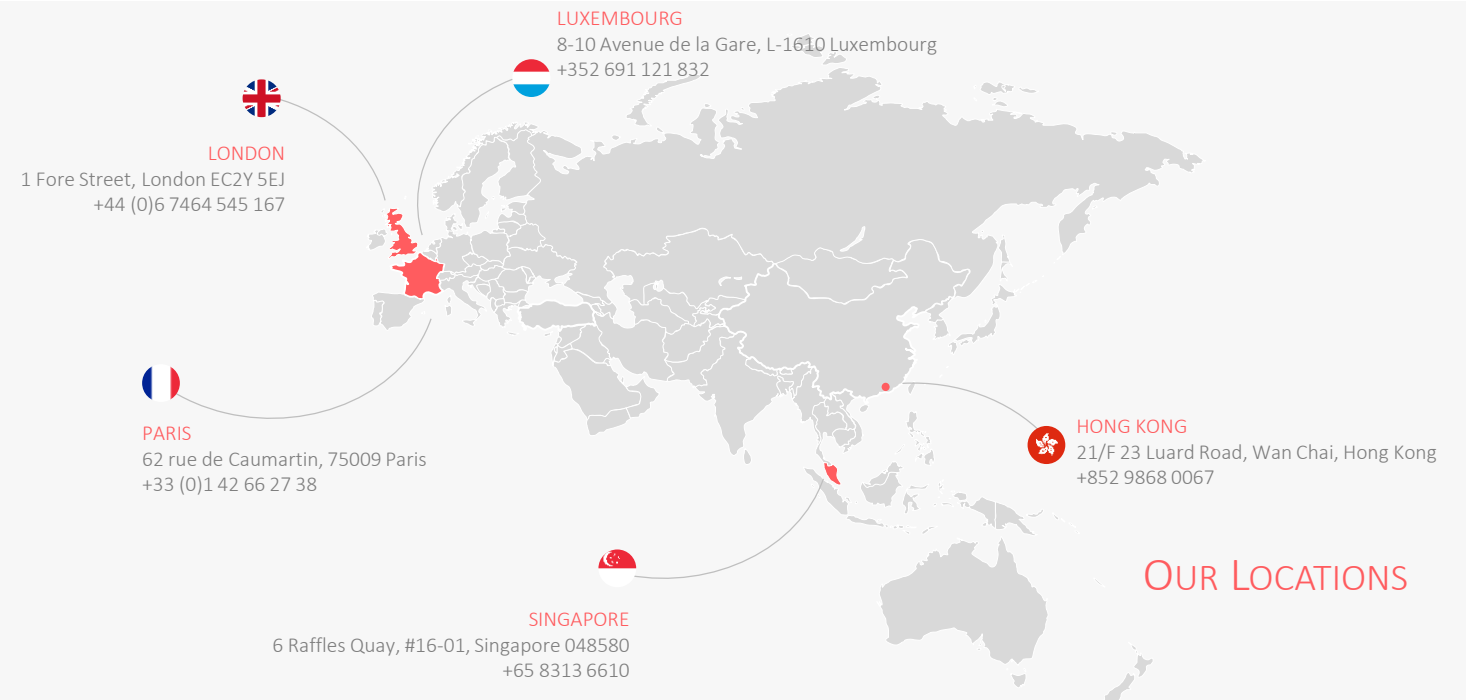
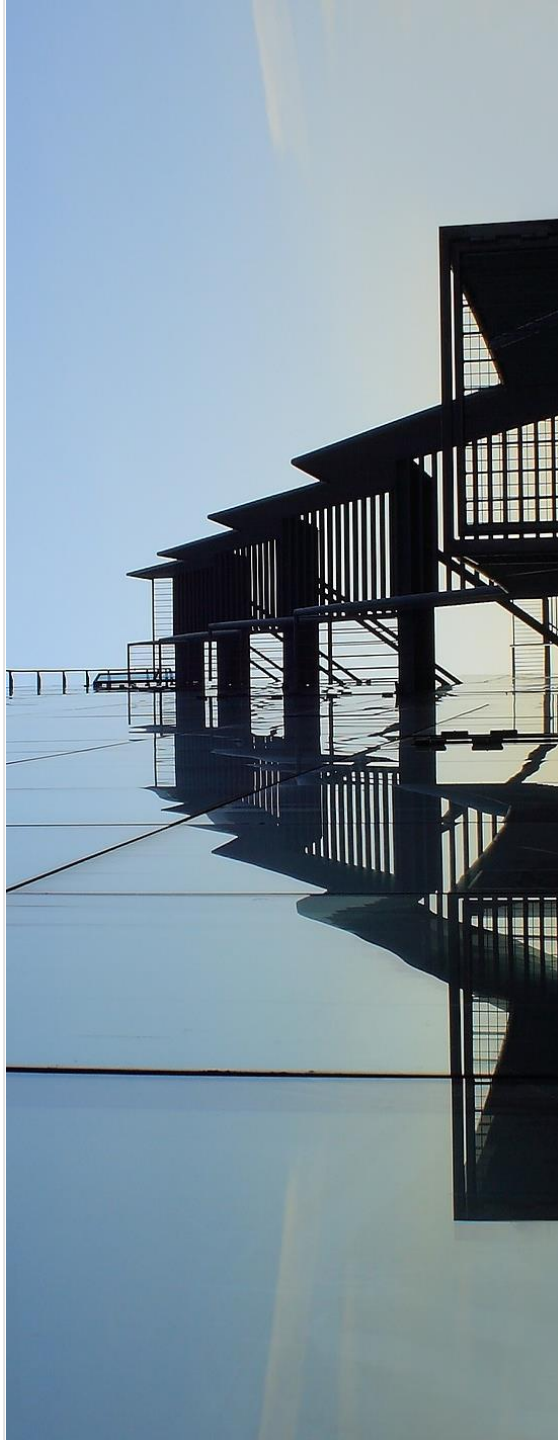


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