

PROGRAM

- 16:00** **The Holy Grail | Stephan van Weeren | 15 min.**
- 16:10** **Risk & Finance Platform Symphony | Maurits Bakker | 15 min.**
- 16:30** **Demo SAS solution grid & platform | Olivier Romijn | 20 min.**
- 16:50** **The Banking Book | Robert Jan Sopers | 15 min.**
- 17:05** **The Trading Book | Jakob Bosma | 15 min.**
- 17:20** **Lessons from military environment | Tom Middendorp & Pascal Hogenboom | 25 min.**
- 17:45** **Discussion with audience | all | 15 min.**
- 18:00** **Drinks**



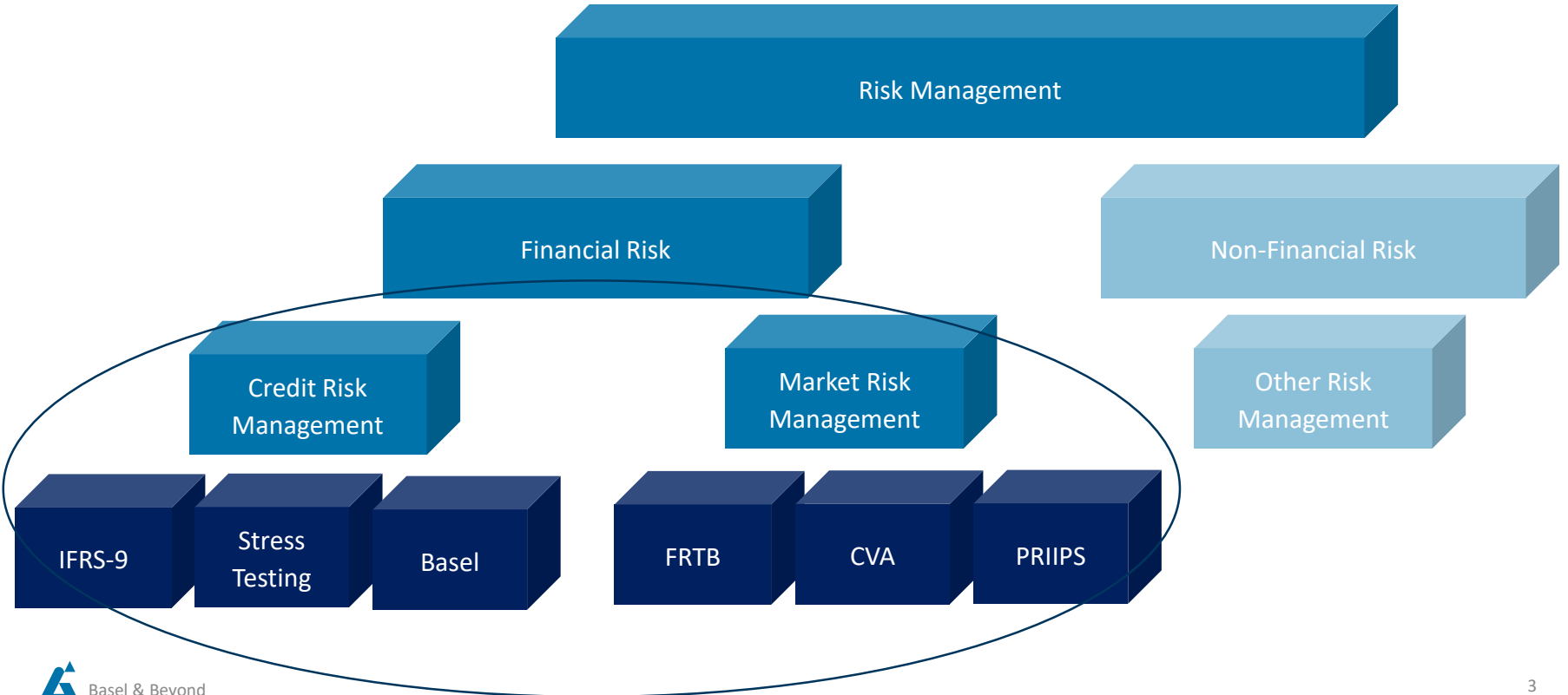
THE HOLY GRAIL

Synergies in risk models

September 5, 2019



SCOPE FOR MODEL CONVERGENCE



IFRS

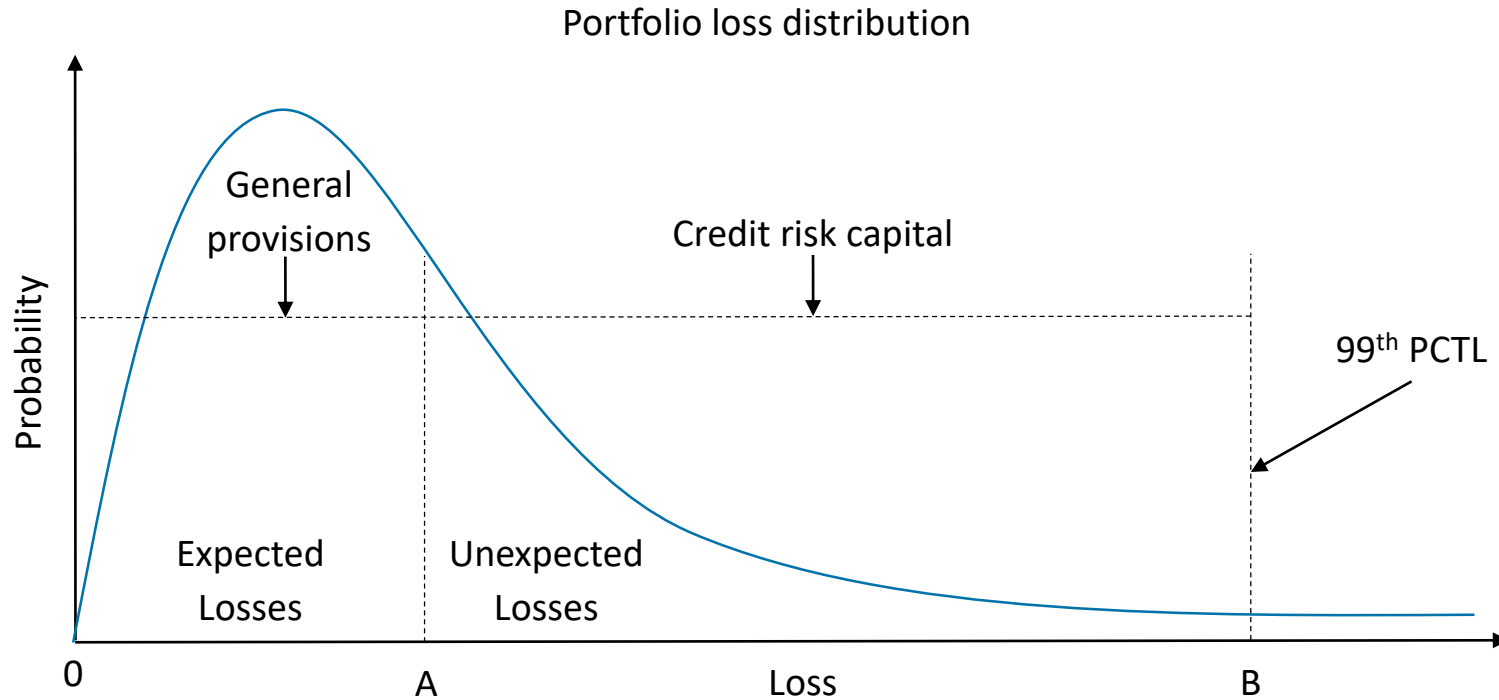
- Principle based
- Accounting loss
- Expected loss
- Best estimate
- Point-in-Time
- Correlated PD, LGD, EaD
- 1 year EL + “life-time” EL
- Indirect repair costs cannot be allocated

versus

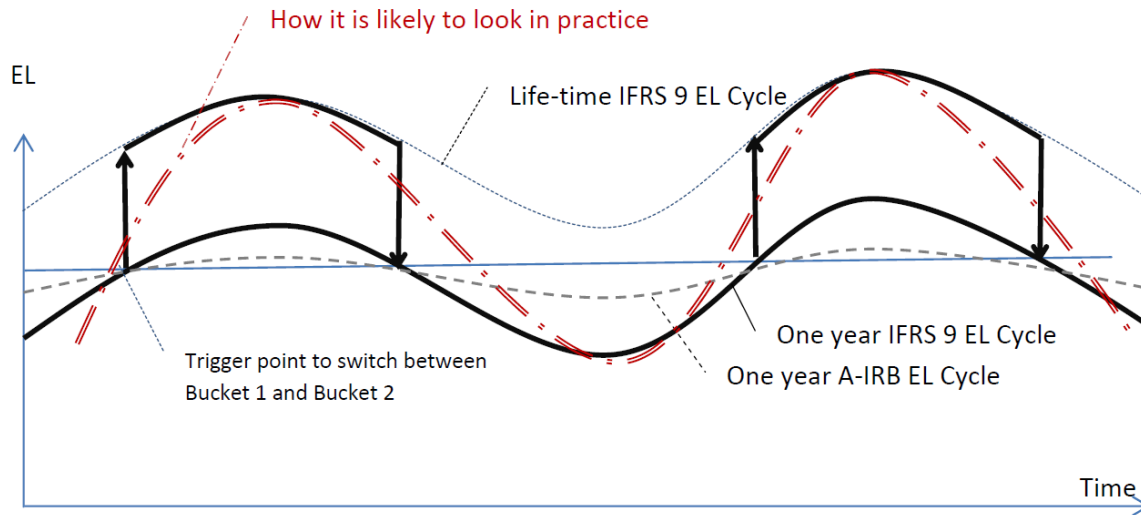
Basel

- Principle - Rule based
- Economic loss
- Unexpected loss
- Downturn
- Through-the-Cycle
- Non-correlated PD, LGD, EaD
- 1-year risk horizon
- Indirect repair costs can be allocated (e.g. overhead)

BASEL AND IFRS 9



IFRS 9 INCREASES EL PROCYCLICALITY



- PD, LGD en EaD are all PiT and thus more procyclical than Basel
- Stage transition 1↔2 increases procycality

Miu & Ozdemir (2016)

IS SYNERGIE POSSIBLE?

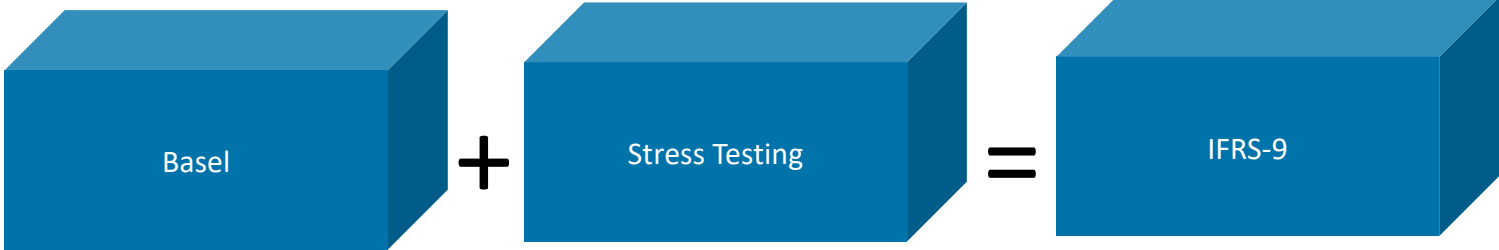
MARKET SOLUTIONS WITH RESPECT TO INTEGRATION

| | No integration | Semi integration | Full Integration |
|-----------|---|--|---|
| Model | Basel & IFRS 9 models completely separate | IFRS 9 model is leveraged on Basel model | Methodology equal and same risk drivers with different calibrations for Macro economical dependence |
| Data | Separate data sets and processing | Use of similar data definitions | Equal datasets |
| Processes | Review and redevelopment of Basel & IFRS9 are not in line | Recalibration of IFRS 9 after Basel | Review and redevelopment at the same time |

METHODOLOGY I - PREVIOUS

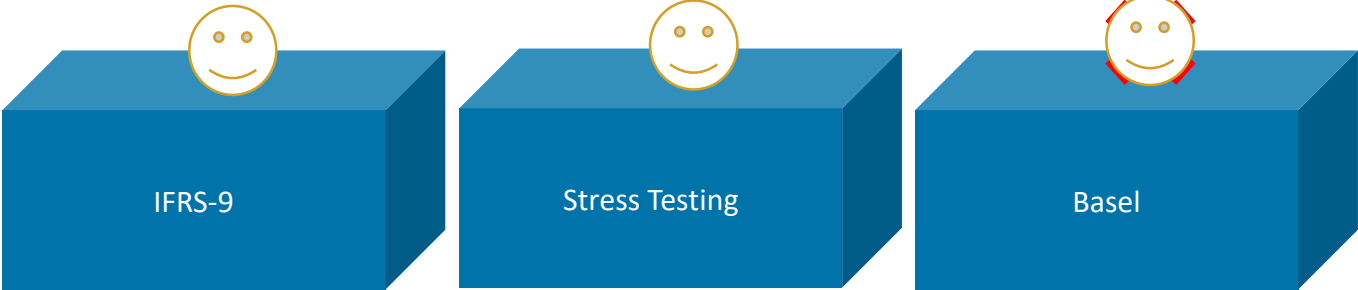
Logistic regression

Transition matrix



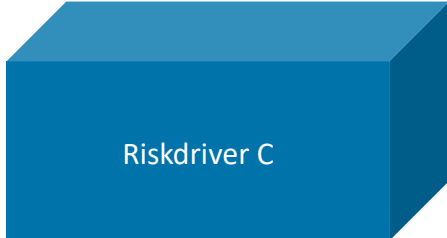
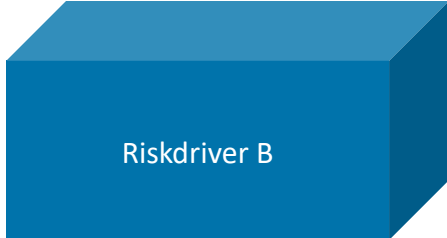
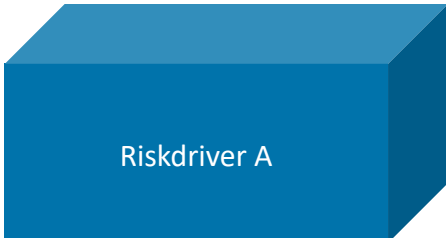
METHODOLOGY II – IMPROVED APPROACH

Transition matrices

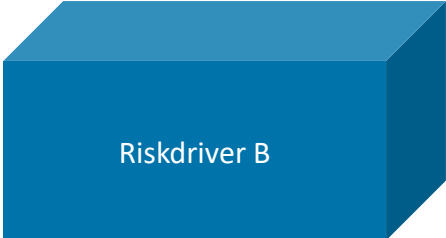
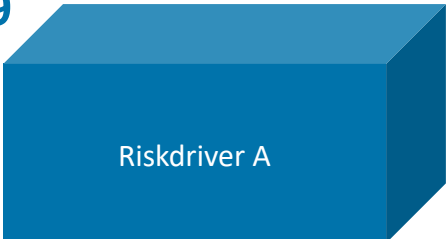


METHODOLOGY III

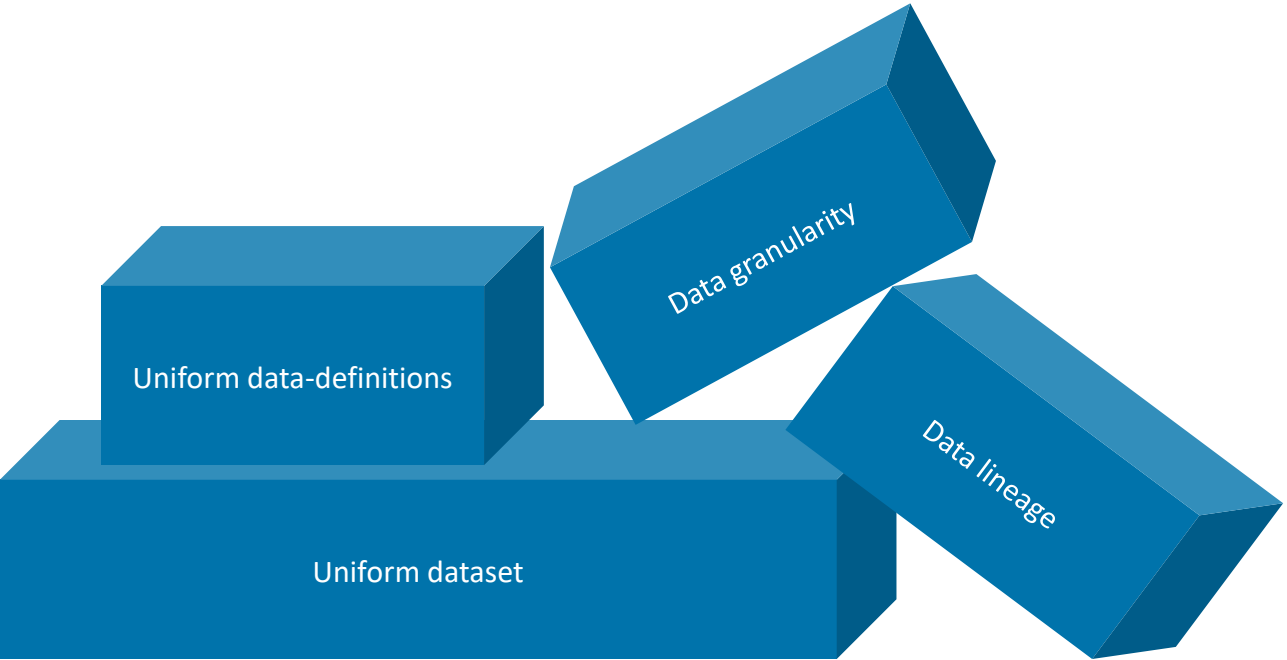
Basel



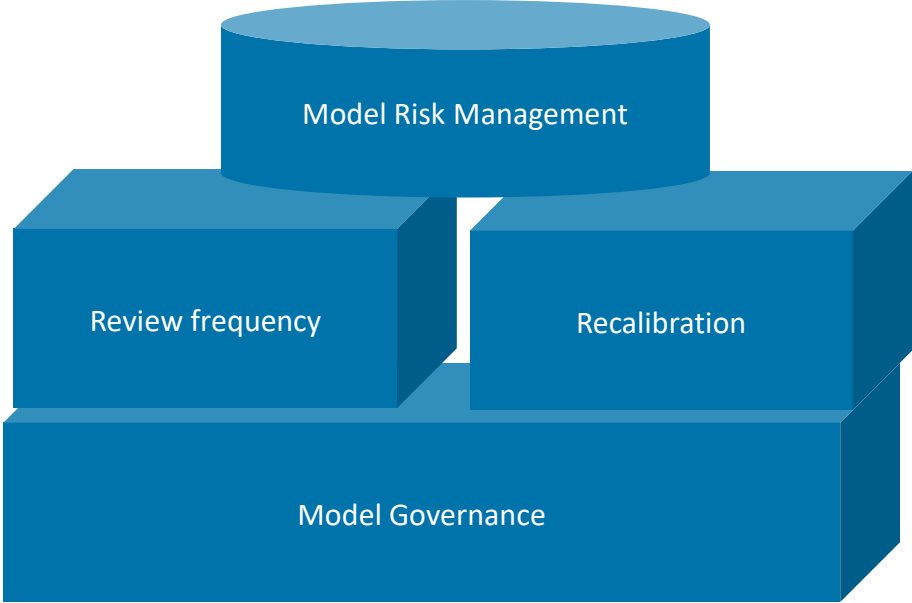
IFRS-9



DATA MANAGEMENT



PROCESSES



WHY NOT (YET)?

Legacy

Quick &
Dirty

Programming
languages

Model Risk

M&A

System
Support

Knowledge



Triple A – Risk Finance

Hoogoorddreef 54

1101 BE Amsterdam Zuidoost

www.aaa-riskfinance.nl

info@aaa-riskfinance.nl