

Capital and
liquidity
Unravelling Basel
III and Capital
Requirements
Directive IV



CRD IV will present significant capital, liquidity and leverage challenges for Irish banks and investment firms. Understanding and preparing for these challenges will drive the key strategic and operational decisions required to build competitive positioning.

What is Capital Requirements Directive IV (CRD IV)?

CRD IV stems from the European Union's implementation of Basel III and will create a single rule book for the European banking industry. Building upon previous Capital Requirements Directives, CRD IV will reduce the discretionary approach by individual member states in the areas of capital requirements and liquidity management. Due for publication in 2012, CRD IV includes increased governance and sanctions for non-compliance which will apply to banks, investment banks, securities firms and most investment firms.

CRD IV proposes a number of measures to raise the quality, consistency and transparency of banks' capital bases while also requiring a number of changes in other areas such as liquidity and leverage.

CRD IV proposes to:

- Create new liquidity requirements
- Redefine what constitutes capital
- Amend capital deductions
- Increase the levels of capital required
- Introduce a number of new capital buffers
- Implement new leverage requirements
- Strengthen requirements for management and capitalisation of counterparty credit risk
- Require more detailed public disclosures of regulatory capital bases

Effects and response to CRD IV

CRD IV will increase the quantity and quality of capital held by Irish subsidiary banks and investment firms while presenting significant liquidity and leverage challenges for the Irish banking industry.

Clients are responding to CRD IV by setting up and conducting GAP analysis programmes and assessing end-to-end implementation requirements.

The following areas should be considered:

Capital and liquidity management <ul style="list-style-type: none"> • Capital management structure • Liquidity buffer • Strategy for deleveraging 	Business management <ul style="list-style-type: none"> • Management information and reporting • Product development, cost of funds and transfer pricing • Business model efficiency
Risk management <ul style="list-style-type: none"> • Credit Value Adjustment • Capital optimisation • Risk identification and governance 	Performance management and measurement <ul style="list-style-type: none"> • Capital based performance measure • Evolution of funding mix • Return matrix model optimisation

Why Deloitte

Deloitte Ireland has a wide network of experience in this area and has engaged with a number of international banks and investment firms in developing successful and innovative solutions.

We have a dedicated team with international experience of capital requirement related engagements, Basel II, Basel II.5 and can provide financial service covering accounting risk process, strategy, performance measurement and IT solutions.

The Deloitte Basel III/CRD IV Impact Assessment

Successful implementation and adherence of CRD IV will rely on full awareness of the requirements and impact on your business as well as ensuring your organisation is fully prepared.

Our Deloitte Basel III/CRD IV Impact Assessment will assist you by simulating the risk and capital profile, together with regulatory standards and ratios, over the full Basel III transitional period (2011-2019). We will run dynamic scenarios to measure the impacts of projected business strategies on minimum regulatory requirements. We can help compare various strategic options to ensure future Basel III compliance, and will provide a cost benefit analysis.

Deloitte draw upon an experienced local and international network, which addresses the strategic and business impacts of CRD IV from diagnosis to implementation.

The Deloitte Basel III/CRD IV Impact Assessment will address:

- What your CRD IV situation is compared to peers
- What the impact could be on your business model
- To what extent is your P&L and RoE affected by CRD IV
- Which ratio / CRD IV measure will hurt you the most
- How you can reach CRD IV compliance
- How you converge or diverge to CRD IV compliance over the coming years
- How you can convince the rating agencies of your CRD IV readiness
- How well your strategy will adapt with forthcoming requirements

If you have any further queries on the Deloitte Basel III/CRD IV Impact Assessment or if you have interest in a training workshop on either Basel III/CRD IV, please contact a member of our dedicated team, or log on to www.deloitte.com/ie/capital-liquidity.

Contact us for further information on the Deloitte Basel III/CRD IV Impact Assessment or for any other CRD IV related queries.



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David is the lead partner in our Financial Services consulting practice. He is a former Managing Director of Curach Consulting and has over 25 years of strategy and IT consulting experience with both Irish and international financial institutions. His experience includes customer and market strategy, channel strategy, business and operating model design and transformational change.



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John has worked in Financial Services for over 10 years. He has both domestic and international experience across retail and wholesale banking, capital markets and insurance, spending the last 7 years working in London. John is practiced in complex programme scoping, definition and delivery and has expertise across risk, finance and capital as well as regulatory reporting (Basel II, CRD II, III, IV, Solvency II).



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Sean is a solicitor with over 12 years regulatory compliance experience. He specialises in advising banks and investment firms on their regulatory obligations including their regulatory capital obligations.



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Malachy has 6 years of experience in capital markets, across a number of areas including capital requirements and structured credit portfolio management. Malachy has recently returned to Ireland from working with a large banking group in London where he assisted on advising on their capital requirements programme obligations.

Contacts

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