

Risk Based Supervision

April 2018

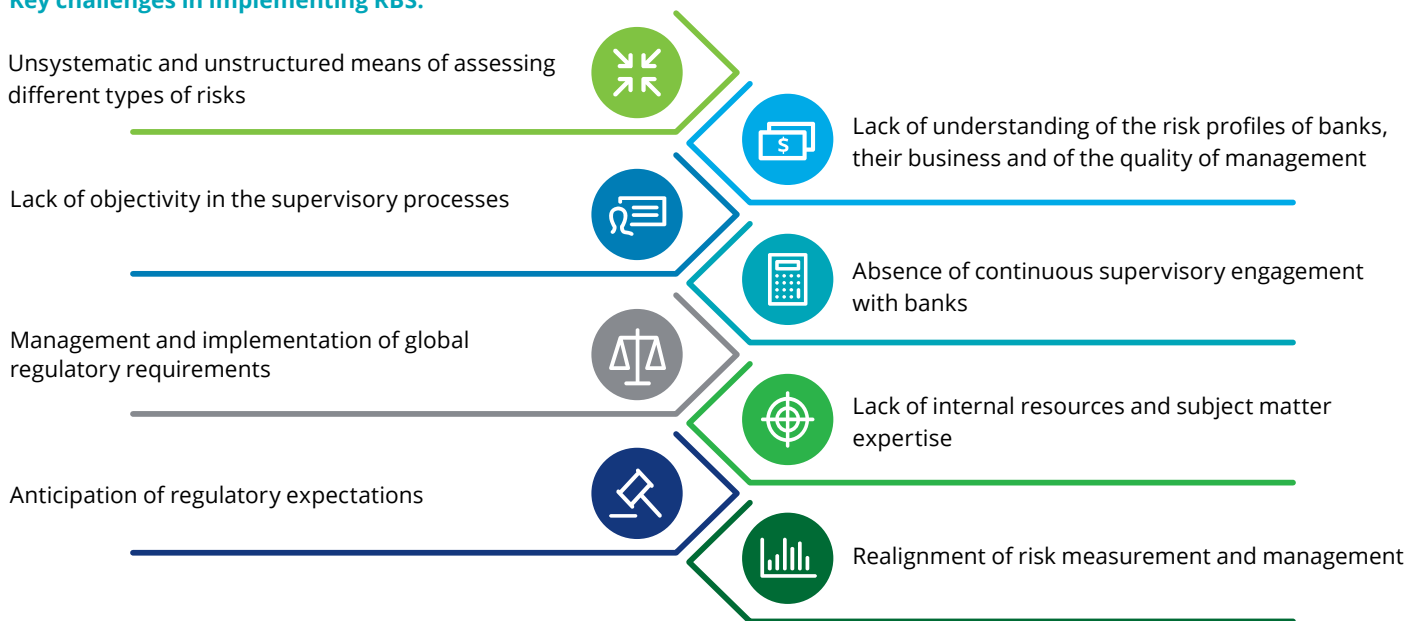
Risk Based Supervision

Reserve Bank of India (RBI) has embarked on a process to move towards a risk based supervision approach from the earlier transaction-centric CAMELS and CALCS approaches. The RBS process also covers assessment of the Bank's management of those risks along with its financial vulnerability to potential adverse experiences. This process is forward looking with a focus on evaluating both present and future risks, identifying incipient problems and facilitating prompt intervention.

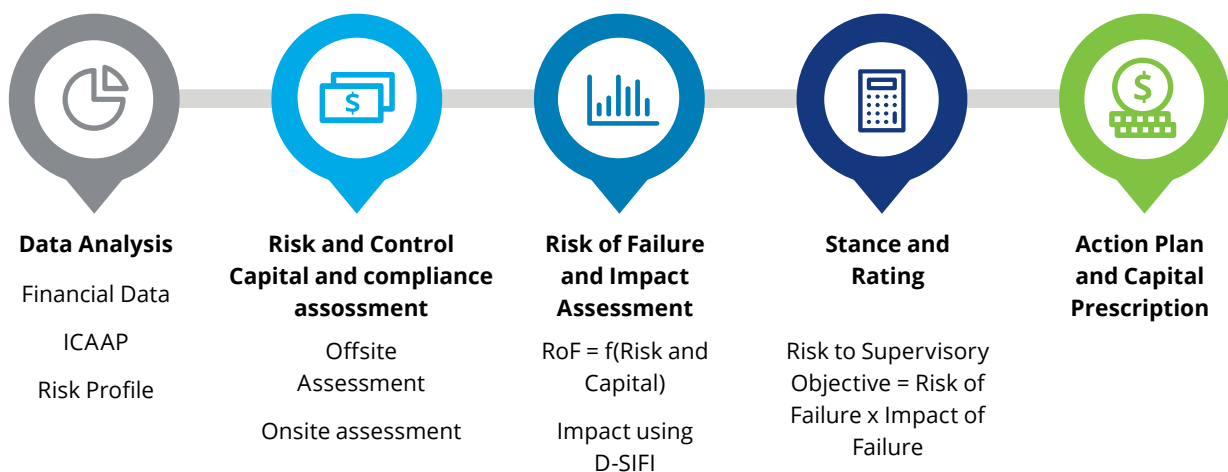
This new approach is expected to significantly change the approach towards supervision. As a result, banks are required to gear up to meet the requirements of the revamped supervisory process.

'Risk Based Supervision(RBS) is defined as 'a structured process which identifies the most critical risks that face each bank and, through a focused review by the supervisor, assesses the bank's management of those risks along with its financial vulnerability to potential adverse experiences'

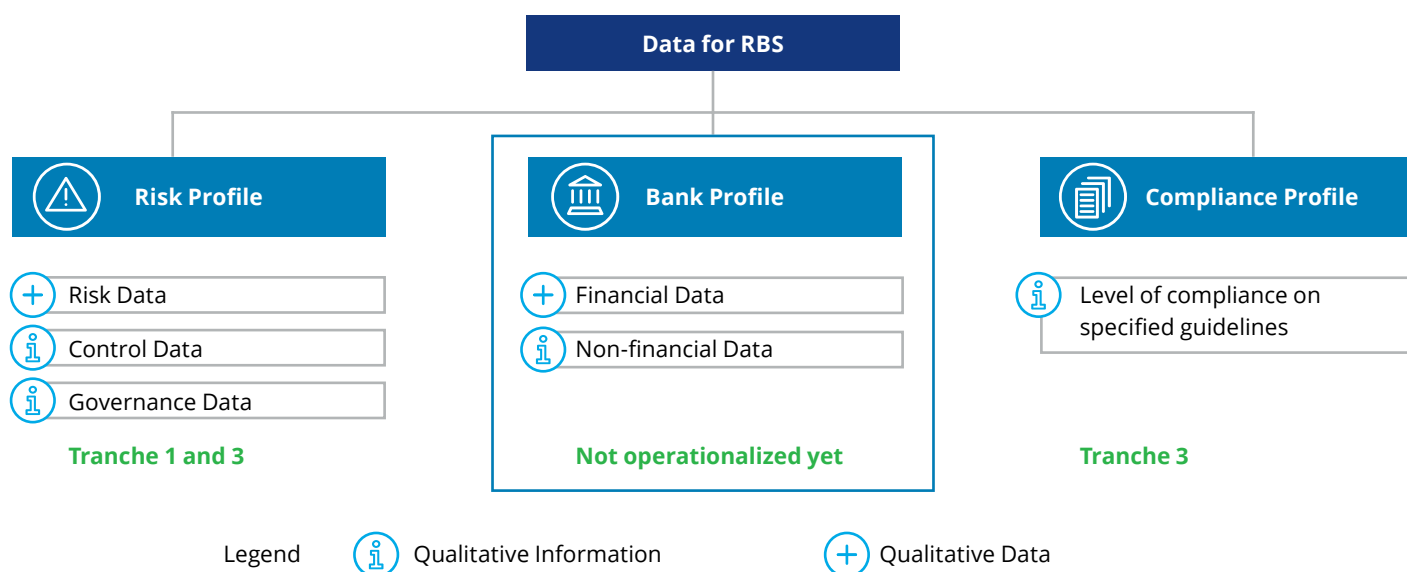
Key challenges in implementing RBS:



Steps in RBS



Data for RBS has both qualitative and quantitative components



Risk Based Supervision (RBS): Key Service Offerings

RBS Training	Sensitization sessions for operational staff on RBS highlighting the impact of data submitted by the bank
Data Readiness (Tranche 1 and IA)	Conduct reconciliation with regulatory returns
	Assist in mapping data points to source systems and identify missing data
	Document the methodology for calculating the value for the data point and develop validation rules to ensure consistency in data submission
	Validate the business logic for calculating the value for the data point
Controls and Compliance Readiness (Tranche 2 and 3)	Review of the documentation of processes and controls
	Review methodology used for controls/compliance testing
	Assistance in performing compliance testing for Tranche 3 requirements
Strengthening Processes	Review the Bank's ICAAP and capital planning
	Review the FTP methodology
	Review the credit risk rating models and scorecards
	Review methodology for Risk based Pricing
	Review the methodology for scenario analysis for vulnerability assessment
	Review the liquidity profile and contingency funding plans/ Review the limit setting and monitoring processes**
Assessment of level of Compliance	Review and enhance the structure and design of the compliance framework and the assessment process
	Develop a compliance library covering relevant acts/laws/rules/procedures/reports
	Develop a compliance index to assess the conformance of the business units to regulations
Assessment of Internal Audit	Quality assurance of review of the bank's internal auditing practices
	Control testing for high risk areas identified by the bank
	Staff augmentation can be provided for select services above

Deloitte also provides a host of customized solutions on the basis of the need of clients.

The Deloitte Difference:



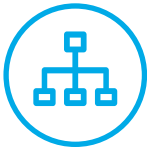
Industry Experience & Specialized Knowledge:

Deloitte's professionals have extensive experience in managing large scale risk transformation projects and are supported by a team of Subject Matter Experts (SMEs) with extensive experience in risk and regulatory compliance engagements



Effective Delivery Model:

Robust delivery model with effective combination of execution, supervisor and quality review capabilities with global delivery model approach for project execution with seamless integration across global teams



Centralized Quality Management:

Dedicated central quality review and management team prior to issuance of reports, risk based transformations



Value Beyond Scope of Work:

Assist in periodic review of processes, provide issue repositories and insights based on multi-dimensional trend analysis



Pan India Presence:

Dedicated multi-locational Financial Services Team across locations to effectively service all client locations



Capability to support increasing volumes:

Our capability to support our clients in conducting timely reviews with adequate resourcing support on need basis

Our Experience and Specialization:

Deloitte named the global leader in **Risk Consulting**, based strategy and capability by IDC MarketScape

Dedicated multi-locational **Financial Services Team of over 175 members**

Experience of working with more than **10 large banks and the banking regulator in India and Middle East**

Deloitte has delivered multiple multi-year risk and finance transformation projects (Basel and other regulatory programs)

Deloitte has **rich experience in India and across the globe**, including the regulatory bodies, including working with the largest banks across the areas of Enterprise Risk Management (ERM), Risk & Capital Management and technology implementation

Experience of providing **services to the in-house departments and captive units** of more than **30 financial institutions**, supporting them in **risk based supervision initiatives, credit risk, market risk, capital management and systems implementation**

Worked with the **largest public sector, private sector and foreign banks** in India, providing **risk based supervision services**.

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