



**Capital Management and
Internal Capital Adequacy
Assessment Process (ICAAP)**

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The regulators introduced capital planning and specifically ICAAP as an opportunity for banks to improve the risk management culture and systems within the organization. The key reason for its introduction was to overcome the shortcomings of Basel I by forcing financial institutions to develop tailor-made risk management system as a component of Pillar 2. Recent crisis has also reinforced the importance of a robust ICAAP at the root of sound risk management programme.

Regulators understand and expect capital plans to evolve over time and change based on circumstances such as changes in economic conditions, changes in the competitive environment and changes in the material factors facing the business.

Key challenges



Our service offerings under ICAAP:

We help clients assess, design and implement governance, processes, models, data and technology, and reporting related to capital management. We also advise our clients on many areas of capital planning and stress testing, including Capital Plan and supporting documentation.

Risk identification, measurement and assessment	Systematic process to identify, measure and / or estimate risks through quantitative and qualitative assessment
	Consistent reporting of material risks to appropriate stakeholders including regulatory reporting
	Calculation and measurement of Economic Capital
	Documentation of Risk ratings and other measurement methodologies
	Infrastructure building including data accuracy, warehousing, aggregation and modeling to support identification and measurement of material risks

Translating risk measures into estimates of loss	Development of an effective loss- estimation methodology
	Development of Sensitivity analysis and Alternative estimation approaches, e.g. Challenger models
	Validation models used for capital forecasting under CCAR, across multiple lines of business and model types
	Develop and use internal data to estimate losses, revenues and expenses
	Preparation of documentation to clearly record key methodologies and assumptions used in estimating losses, revenues and expenses

Optimizing available capital resources	Evaluation of the Quality of Capital over the planning horizon
	Estimation and consolidation of impact to capital and liquidity by scenario
	Assist in assessment of the potential impact of liquidity effects relating to the stress scenarios (e.g. higher debt cost) and access to capital markets
	Assessment of the most relevant strengths and weaknesses of modeling approaches and ensure that they are clearly identified, well documented, and appropriately communicated to the Board of Directors and Senior Management

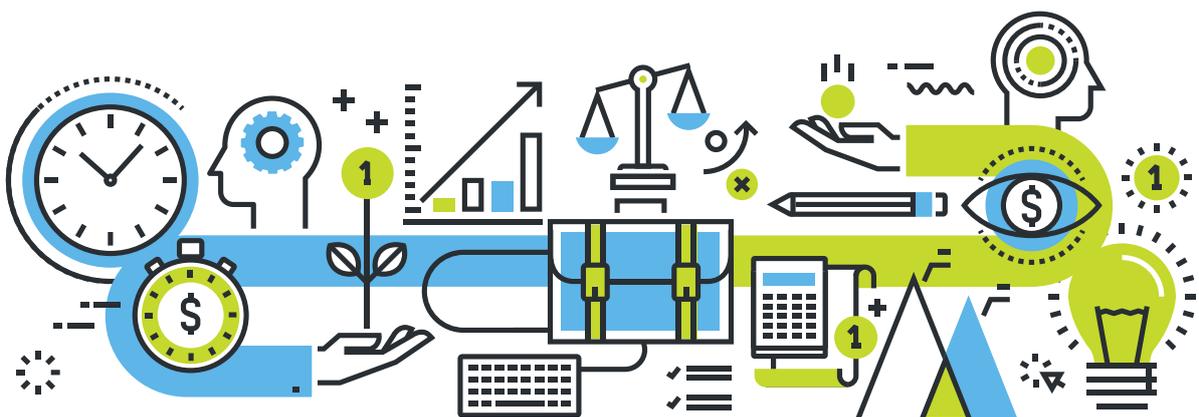
Impact of loss & resource estimation	Preparation of a well-documented process for generating projections of the size and composition of the client's balance sheet, taking into account on- and off-balance sheet positions and risk-weighted assets (RWAs)
	Documentation of the assumptions used along with an independent review and validation of balance sheet and RWA projection methodologies and resulting estimates

Capital policy support process	Preparation of a Capital Policy that supports process using impact of loss and resources to make key capital decisions and maintain capital contingency plans
	Development of a comprehensive written document that addresses the major components of the client's capital planning process; links it to and is supported by other policies (e.g., risk management, stress testing, model governance, and audit, among others).

Internal controls & governance	Assess policies and procedures that describe the capital adequacy process
	Robust and independent model review and validation practices to evaluate model's conceptual soundness and Ongoing monitoring including verification of processes and benchmarking
	Review of committee structures, roles, various control functions, and validation processes and data/process controls.
	Review the integrity of reported results

Effective board & senior management oversight of the CAP	Assess appropriateness of the idiosyncratic scenarios incorporated into the stress tests
	Assist management in educating and training the Board of Directors and Senior Management on the key principles based on any observations from the ICAAP review

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



The Deloitte Difference:



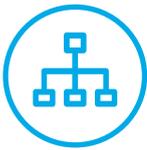
Industry Experience & Specialized Knowledge:

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



Value Beyond Scope of Work:

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



Centralized Quality Management:

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



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



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 **finance, credit risk, market risk & system** initiatives

Provided **model validation, risk advisory and system automation services** to more than 20 financial institutions for delivering on multi-year risk transformation initiatives

Worked with **largest public sector, private sector and foreign banks** in India, providing **credit risk, market risk, Basel II reporting and model development / validation** services.

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