


Solving for the data challenge in regulatory risk technology

Arthur Rabatin

Head of Counterparty and Funding Risk Technology,
Deutsche Bank AG

LONDON REGULATION ROADSHOW,
MAY 10TH 2016



Disclaimer

The document author is Arthur Rabatin and all views expressed in this document are his own and not those of his employer.

All errors and omissions are those of the author

Arthur Rabatin, London, May 2016

What is “The Regulatory Data Challenge”

- Large Number of Regulatory Risk Calculations – covering counterparty credit, liquidity, leverage , collateral and market risk
- Inclusion of collateralisation in exposure calculation creates new demand on quality counterparty input data (CSA, Netting Agreements) and counterparty default data
- Regulatory Risk view is enterprise wide – risk production often done by business silos. Can Risk be aggregated? Does a “Delta” in business A mean the same as “Delta” in business B?
- Regulators increasingly want banks to measure and manage intra-day exposure. Enterprise risk requirements move into Front Office sphere.

What are “Data” (Context: Capital Markets)

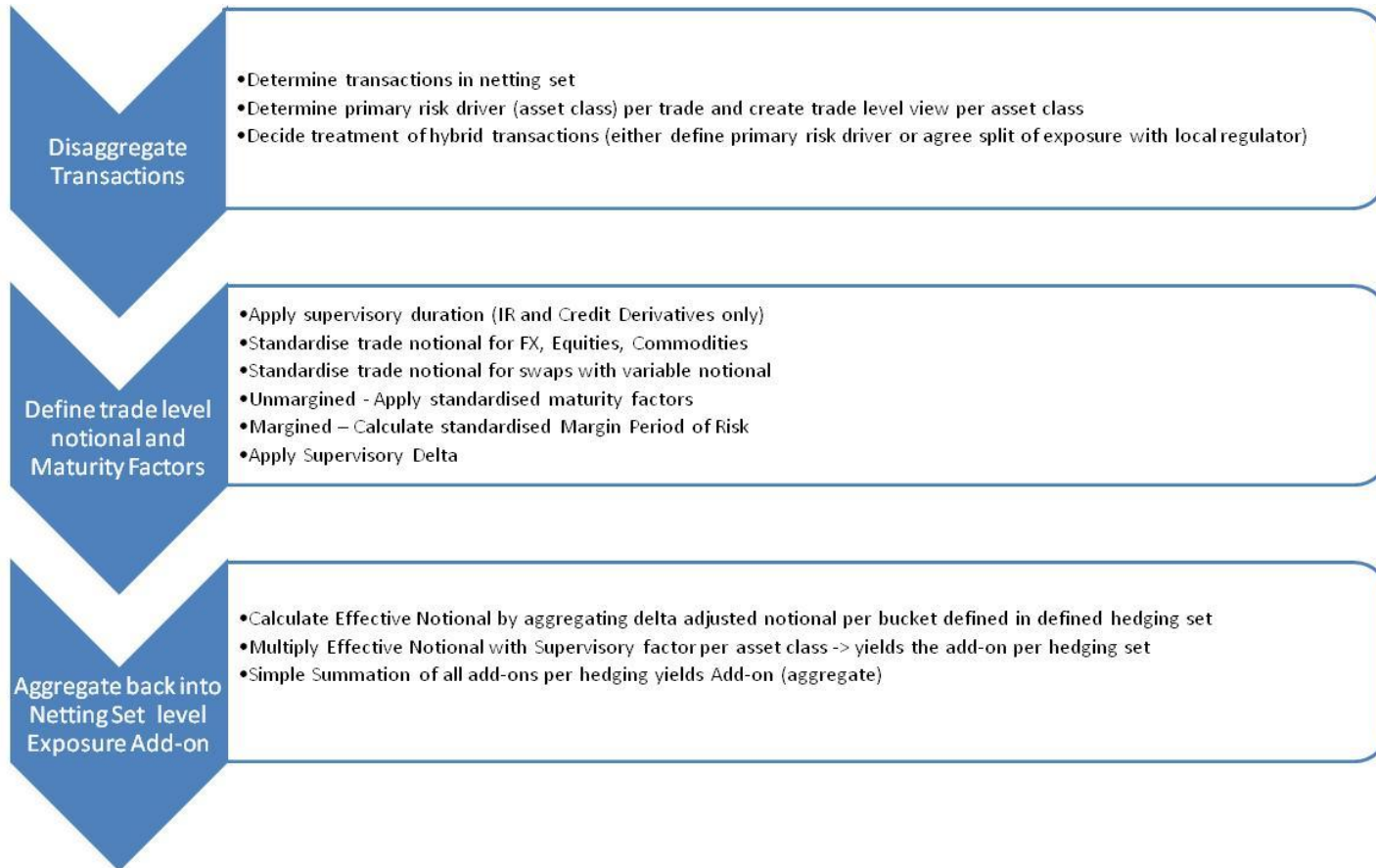
Inputs

- Reference Data:
 - Clients
 - Legal Agreements
 - Collateral Data
 - Instrument Definitions
 - Products and Models
 - Book Hierarchies
- Trades
- Market Data (Live)
- Market Data Time Series
- Payments
- Settlement Events
- P&L and Risk Adjustments

Calculation Outputs

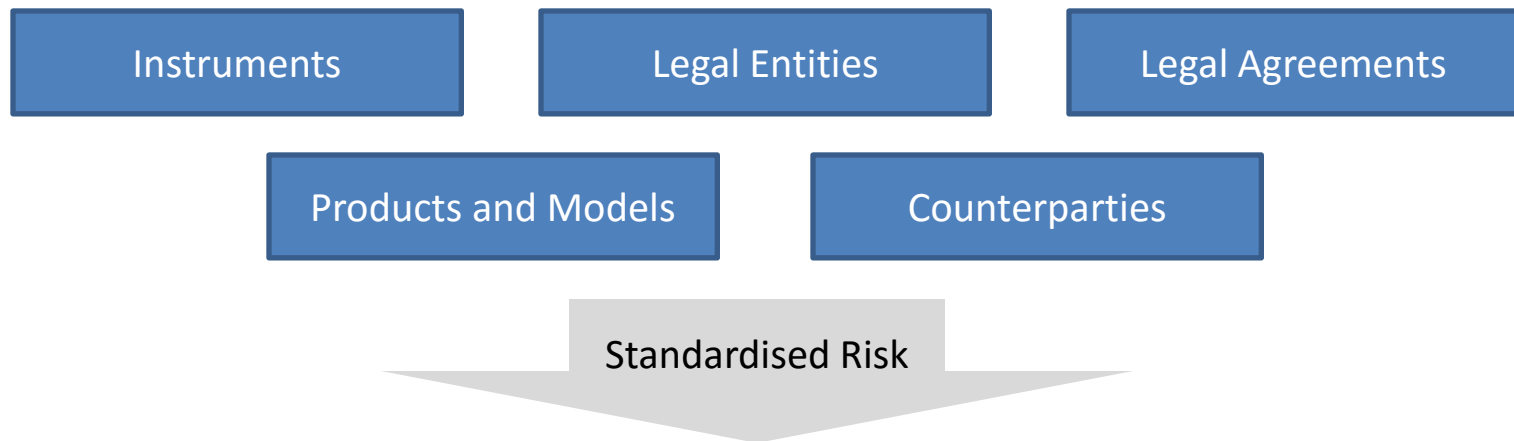
- Risk Sensitivities (per Trade, per Risk Factor)
- Standardised Sensitivities
- Portfolio Sensitivities (e.g. $dCVA/dPrice$)
- EE Profiles
- VaR per trade, per org hierarchy
- P&L
- Risk based Margin

“Standardisation” has become non-trivial – Example: SA-CCR PFE Add-On Calculation



Step # 1 - Strong Reference Data Hygiene

- Creates the framework for consistent, enterprise level risk



- Risk Aggregation without *prior* standardisation on common and coherent reference data is possible but very, very expensive

Step # 2 - Enterprise Wide Data Culture

- Data Consistency and Data Quality are business problems, not technology problems.
- Data must be “trusted”. When we stop trusting, we will start duplicating. Data are trusted if they are being used in anger and have a business owner
- Do not (read: do not) duplicate data. When we duplicate, we stop trusting data. When we duplicate, we lose control
- Bring applications to data, not data to applications
- Answer this question: Do I need to store data? Can I re-calculate data?

Key Technology Responsibilities

- Enforce the Data Culture
- Contents and consistency control
- Traceability (Who? When?)
- Calculation Results – Traceability of inputs
- Reference Data Referential integrity
- Data have to be easily accessible. If not easily accessible, users will duplicate data

*Don't mistake precision for accuracy:
Correct maths makes the calculation
precise. Correct data make the
calculation accurate.*

A Rabatin,
IT Manager (1969 -), on the topic of IT Challenges in post-crisis Financial Regulation

Questions and Comments Welcome!

