



RWA content app

The BAIS/ORRP solution for calculating RWA in compliance with CRR III

RWA according to CRR III

The expected entry into force of CRR III on 1 January 2025 will mean extensive changes for banks, particularly in terms of the credit risk standardised approach (CRSA) and the internal ratings-based approach (IRBA). The resulting implications will have a profound impact on all EU banks – regardless of their size or business model.

Major reforms

In line with the requirements set out by the Basel Committee to finalise Basel III (BCBS 424), the CRSA has been extensively revised with a view to enhancing risk sensitivity, particularly regarding the methods for determining risk weights for real estate exposures and exposures to unrated institutions as well as the separate treatment of the specialised lending business in the CRSA.

The proposed changes to the IRB approach primarily refer to a reduction in the scope of the application. Moreover, the output floor will be (gradually) implemented, capping the savings in own funds from internal risk models at 72.5% of the corresponding RWA according to standardised approaches.

Major challenges

The statutory reforms to the standardised approach and the IRBA due to CRR III will presumably lead to an increase in RWA at numerous institutions. This will have far-reaching consequences for the profitability of some business segments, for the institutions' long-term strategy and for the cost-benefit analysis of internal models. Furthermore, implementing the output floor will force all institutions to calculate the respective standardised approaches. To counteract any negative effects at an early stage and adjust the bank's strategy, it is advisable to determine the CRR III RWA as soon as possible, not merely for COREP reporting, but also for forecasts, simulations and analyses.

Our solution

The RWA content app developed by msg GillardonBSM provides comprehensive support to help you manage these regulatory requirements and new challenges:

- it facilitates the early calculation of the CRR III RWA, regardless of the COREP reporting software used.
- The app's component-based and data-independent architecture enables an easy-to-integrate standard solution, yet offers different deployment possibilities without the need to develop proprietary software.
- The app's calculation results can be used in many ways, such as floor calculation, risk management, preliminary calculation or COREP reporting.



Flexible

early calculation of the CRR III RWA, regardless of the COREP reporting software used



Platform-independent

calculation engine and app in open architecture as a content app



Methodologically consistent

identical methods are used for reporting, risk and treasury

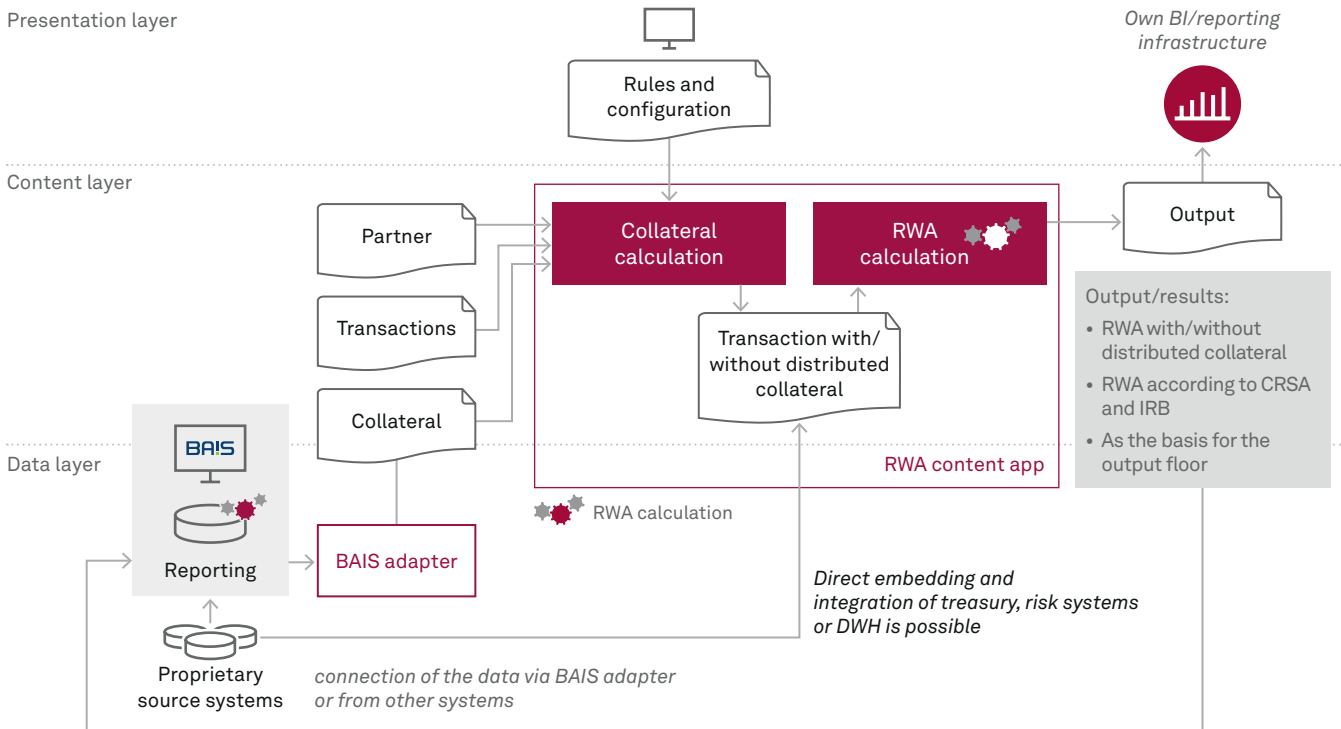


Versatile

enables different use case scenarios

The content app does not require separate data management. All necessary data and configurations are supplied via interfaces based on domain objects and are thus independent from the selected persistence layer. In a nutshell, the RWA content app provides versatile results, features high-performing processing and can easily be integrated into existing systems.

Advantages for BAIS users: BAIS users benefit from a data adapter and a comparison tool that compares the BAIS results from CRR II directly with those from the CRR III calculation. The RWA content app can be integrated directly in BAIS and does not require a separate data repository.



Consulting services for RWA calculation and CRR III

We offer **specialist consulting** on all aspects of the RWA content app with regard to

- Analysing regulatory requirements,
- Designing, implementing and evaluating the relevant calculation scenarios

as well as **integration consulting**, from installation to business analysis, interface programming and test support, right through to the transfer to the credit facility.

Open Risk and Reporting Platform architecture (ORRP)

The Open Risk and Reporting Platform ORRP is the innovative system architecture developed by msg GillardonBSM to provide flexible, consistent bank management software, including risk management and reporting, based on modern architecture principles. One major objective of ORRP is to make regulatory derived methods available easily and consistently for corporate governance, integrating them in different ways in the application environment. The RWA content app was developed according to the principles of ORRP.



Sabine Röhm
Executive Partner
Sabine.Roehm@msg.group



Dr. Werner Gothein
Business Unit Manager
Werner.Gothein@msg.group



Martin Makowski
Partner
Martin.Makowski@msg.group

msg for banking

Amelia-Mary-Earhart-Straße 14 | D-60549 Frankfurt a. M. | +49 (0) 69 580 045 – 0
info-banking@msg.group | www.msgforbanking.de

