



Achieving FRTB Compliance On Time and Under Budget



The Challenge

Erste Group Bank AG, the premier Austrian financial institution and the country's largest bank, serves more than 15 million clients in Central and Eastern Europe. Erste Group has been an ActiveViam client since 2015 and during that time has used ActiveViam technologies for market risk analysis and VaR aggregation. In 2017, in line with Europe's Capital Requirements Regulation (CRR II) and Basel III requirements, Erste Group anticipated the need to calculate and aggregate the regulatory capital charge for the Fundamental Review of the Trading Book (FRTB) across all of Erste Group's entities that were running significant trading book activities for reporting in Austria and its Central and Eastern European subsidiaries.

In order to align with the Basel III requirements, The Erste Group now required a solution that would give them the ability to quickly organize volumes upon volumes of data in order to report accurate figures to regulators both more frequently and in greater detail.

"The FRTB Accelerator saved us a lot of time and resources from the bank's internal development teams. The FRTB Accelerator in particular provided data format definition, and with our past experience working together with ActiveViam, they offered end-to-end deliveries from the beginning."

Marcos Heerd - Head of Trading Book Risk Analytics at Erste Group

The Strategy

One of Erste Group's requirements was to be able to optimize the existing calculation engines to provide daily deal-level sensitivities calculations for the full trade scope (i.e. existing VaR measures and FRTB sensitivities) while maintaining the same hardware footprint. However, first they needed to have their data assessed to determine what they need to tap into in order to fulfill the regulatory requirements while designing the software and hardware architecture.

The FRTB regulation requires banks to report all of their entities as standalones, which triggers the need to report in multiple currencies as well as all entities in aggregate in euros. For Erste Group, it meant looking at foreign exchange risk across multiple (consolidated) geographies. This was further complicated by the fact that the regulator introduced several tweaks to the FRTB rules while the implementation was ongoing. "This is where Atoti+ stood out," Mr. Heerd said. "With agile deployment cycles and the joint collaboration between Erste Group and the ActiveViam product team, we adapted our implementation as the regulation evolved and met the project goals and deadlines." The front-end user interface for middleoffice risk management, built with ActiveUI, was subject to several fundamental changes which required dedicated testing. The new system introduced more transparency, the ability to explain the daily measures to a broad range of end users across multiple entities and the creation of reports for trading heads, accessible online. The new interface was built by ActiveViam based on input from the Erste Group's teams and cut down substantially on the number of spreadsheets in circulation at the bank.

The Results

ActiveViam and the FRTB Accelerator delivered a seamless end-to-end integration and state-of-the-art technology and created a flexible, speedy workflow that met all FRTB requirements. Furthermore, they saved Erste Group significant time and money in development and implementation and represented a significant upgrade to their risk analytics capabilities.

Indeed, beyond meeting FRTB requirements, Erste Group is now able to leverage ActiveViam's Atoti+ to provide market risk analysts with the ability to perform deep and agile 'What-If' analysis, which they use for

instance to simulate instantly the effect of a trade or set of trades on the bank's risk-based capital charge.

Daily regulatory reporting for trading book activities is now faster and provides much more flexibility. In choosing ActiveViam, we also benefitted from the company's quick and agile response to requirements from the regulator and the bank's internal needs.

About ActiveViam

Founded by a group of industry experts, ActiveViam understands the data analytics challenges faced by financial institutions across trading desks, risk, and compliance.

That is why we pioneered the use of high performance analytics in finance, helping the largest investment banks, asset managers and hedge funds make better decisions, explain results with confidence, and simulate the impact of their decisions. We are not generalists.

Our mission is to deliver train-of-thought analysis on terabytes of data in the most cost-effective way so our customers can explain their results with confidence and model the scenarios that will optimize their business.

We are a pure player specializing in risk data analytics for one of the fastest-moving and most regulated industries with a presence in the world's leading financial market places – London, New York, Singapore, Sydney, Hong Kong, Paris and Frankfurt.

Our 160 employees take pride in being experts in developing and supporting a purpose-built analytics technology that has been recognized as "FRTB Product of the Year" by Risk and by Waters Technology as the "Best Sell-Side Credit Risk Product."

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