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Risk and Control Framework

OVERVIEW



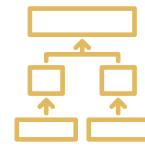
CHALLENGE

A Tier One investment bank needed to respond to a regulatory CAP to upgrade their risk and control framework around the calculation and governance of "Fat Finger" limit thresholds. They needed to move from static size (notional) and price limit thresholds to dynamically calculated limits driven by historical trading data.



SOLUTION

Treliant helped the bank analyze a dynamic model-based approach to reduce the annual workload of manually reviewing and calibrating static limit threshold tables for each line of business. This approach would ensure more appropriate limit levels and comply with the regulatory CAP.



APPROACH

In phase 1, Treliant conducted a broad review of current state static thresholds across asset classes, per business. We identified trade capture systems where dynamic model-based controls would be appropriate and analyzed possible model-based calculation methodologies to calculate thresholds. We ran workshops to explore optimal governance arrangements to administer ongoing daily alerts and reporting. Additionally, we defined business requirements covering possible model configuration and operational setup.

RESULTS

- ✓ Successful pilot demonstrated the dynamic model-based approach could yield significant efficiency savings across multiple business areas versus the current static approach.
- ✓ Reduction in the annual workload of manually reviewing and calibrating static limit threshold tables.
- ✓ Reduced cost versus using a traditional "Big Four" firm.

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