FSB Data Gaps workshop

May 2nd, 2012

Experience on I-I reporting

Existing I-I reports on credit risk exposures

	Large Exposures		Risk management report on concentration		FED SSG report
Scope	Prudential Group credit exp. >10% Group Equity > 300m€ (national discretion)	≠	Prudential Group credit Exposures •Top financial institutions •Top sovereigns •Top corporates	≠	Prudential Group credit Exposures •top 20 banks and brokers •top 20 other financial institutions •top 20 corporates (sovereigns excluded)
Frequency	Quarterly at D+30	≠	Monthly D+30	≠	• Capital market activities : bi-weekly D+10 • Lending activities : monthly D+30
Metrics	• Loans : gross exposures and L.Exp RWA • Derivatives : EPE and L.Exp RWA • Equity : market value (usually 100% weight)	≠	• Loans : gross exposure and RWA • Derivatives : current exposure	≠	• Loans : gross exposures • Derivatives : potentiel future exposure
Counterparty aggregation	Business Group (incl. business dependency)	≠	Business Group (only capitalistic ownership)	=	Business Group (only capitalistic ownership)
Controls	• Permanent control on risk data quality • Business & Risk review • Reconciliation of risk total exposures with financial statements	≠	• Permanent control on risk data quality • Business & Risk review at local and central level	=	• Permanent control on risk data quality • Business & Risk review at local and central level

Existing I-I report on credit risk exposures

- Timing of risk reporting depends on activities :
  - Capital Market activities

Managed as one global business across the world

Short term positions

Volatile market

A unique risk system for the whole Group

Daily positions are available

Frequent and timeliness management reports

  - Lending activities

Managed at local level (limits are decentralized by regions, entities)

Medium and long term positions

Few volatility

Monthly management reports
+ quarterly reconciled with financial statements

Structural delay in risk aggregation (d+30), for :
- data production and controls at local level
- data collection from the regional risk systems
- data consolidation
- central controls

Existing I-I report on credit risk exposures

- Prudential vs Accounting scope
  - Credit exposures in insurance companies cannot be compared nor added to credit exposures in the banking industry
    - The largest majority of credit risk is supported by life insurance contracts
    - Credit risk is mainly allocated to insured customers (“participation to benefits” mechanism).
    - Credit risk metrics are calculated differently (actuarial provisions)
    - Insurance contracts are long term. The impact of credit deterioration is spread over the residual timelife of insurance contracts.
  - Banking supervisors and Insurance supervisors rely on different regulatory reportings that fit the best to each activity
  - One common report on top-50 counterparties is produced annually on d+75, for financial conglomerates supervision.

Existing I-I reports on liquidity providers

- No regulatory reporting yet
- Banks are conducting large projects to meet Basel III liquidity requirements by 2015.
- Internal management reports are organized by activity, for example:
  - Treasury short-term funding :
    - Daily reports by liquidity provider (legal entity)
  - ALM medium-term funding :
    - No report by counterparty (impossible to trace debts instruments holders) but by distribution channels (retail, securities market, etc…)