

Single-Counterparty Credit Limits

KEY BENEFITS

DELIVERS COMPLETE EXPOSURE DATASET BASED ON A MASTER DATA DICTIONARY

PROVIDES TRACEABILITY TO METHODS, PARAMETERS AND SOURCE DATA

STRENGTHENS OPERATING EFFICIENCY AND CONTROLS AND AUDIT DEFENSIBILITY

ENABLES BASEL III STRATEGIC IMPLEMENTATION LEVERAGING A UNIFIED DATA DICTIONARY FOR SCCL AND CAPITAL

With the Federal Reserve Board's 2018 issuance of the new Single-Counterparty Credit Limits (SCCL) rule and FR 2590 reporting commencing in 2020, counterparty risk management is at the forefront of challenges facing financial institutions (FIs). Intended to address systemic and contagion risks inherent in an interconnected banking system, the rule applies to all large FIs, foreign and domestic, and limits net credit exposure to a single counterparty to 25% of capital; 15% for G-SIBs.

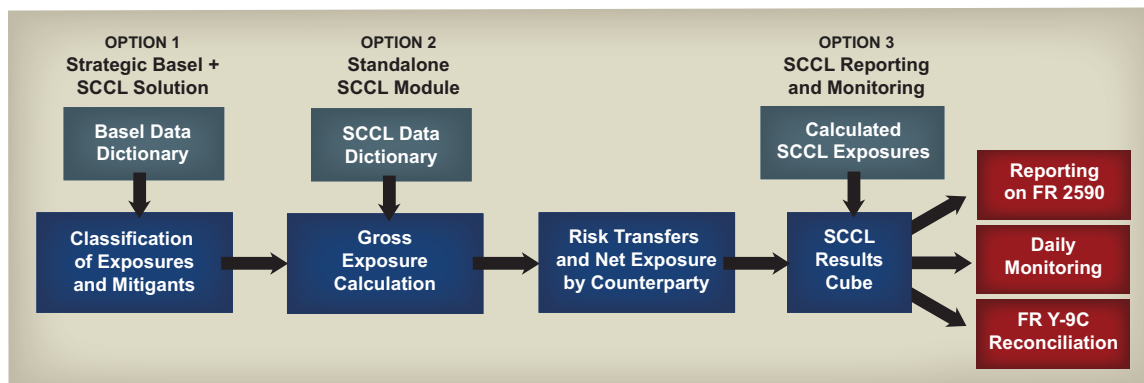
As the marketplace awaits the final form of the new FR 2590 reporting requirement, FIs must source and organize the complex information required to meet SCCL's challenges including:

- **Intensive Data Collection and Staging:** SCCL requires staging information on all the FI's credit exposures and developing a consistent and complete source of counterparty information. FIs will need to identify new attributes for SCCL, source and collect new internal and external data and organize it centrally.
- **New Methodologies:** New methodologies: Calculating gross and net credit exposures involves methodologies from Basel RWA rules, new formulas such as SA-CCR and requires a consistent approach to credit-risk mitigation and risk transfers.
- **Daily Monitoring:** SCCL demands daily compliance, which necessitates establishing the processes and technological infrastructure that can run exposure and limit calculations daily.
- **New Reporting:** The FR 2590 form requires the FI to identify and sort its 50 largest counterparties.
- **Time Pressure:** FIs have 18-24 months from the date the rule was finalized to comply, a tight timeline under which FIs must address SCCL's multiple data and operational challenges.

AXIOMSL'S SCCL SOLUTION

AxiomSL provides FIs with an end-to-end platform for SCCL data staging, exposure calculation, risk transfers, monitoring and reporting. The solution runs on AxiomSL's 'Platform for Change', a flexible and modular platform that enables the FI to achieve strong data management and governance, providing transparent controlled processes from data ingestion to report submission, and dynamic data-lineage with detailed drill-down and drill-up inspection. Because the FI's data is ingested seamlessly without need of any transformation, its original data sources are preserved, regardless of origin.

AxiomSL's Modular Solution



AxiomSL's Data Integrity and Control Platform



FIs are under time pressure to address SCCL's novel data and operational challenges.

AxiomSL's platform and the SCCL solution incorporate easily within the FI's technology infrastructure.

KEY FEATURES

MODULAR DESIGN ENABLES CLIENTS TO INTEGRATE EXTERNAL SYSTEMS AT VARIOUS ENTRY POINTS IN THE PROCESS



DELIVERS FR 2590 REPORTING REQUIREMENTS INCLUDING TOP 50 COUNTERPARTIES IDENTIFICATION



TRACKS DAILY/QUARTERLY CHANGES IN NET EXPOSURE, COUNTERPARTY RANK AND OTHER ATTRIBUTES



USERS CONTROL MAPPING OF SOURCE DATA



VISUAL WORK FLOW PROVIDES USER-DEFINED ACTIONS



ENSURES ACCURACY AND DATA QUALITY VIA VALIDATION AND INTEGRITY CHECKS

AXIOMSL'S MODULAR SCCL SOLUTION

The SCCL solution includes full data-management, a calculation engine, and reporting, monitoring, and reconciliation functionalities.

SCCL SOLUTION ELEMENTS

Unified Data Dictionary: The solution provides a standard data dictionary for each entry point into the process, including an option for a strategic Basel implementation that uses the same data dictionary and exposure mapping for SCCL and Basel III Standard Approach RWA.

Classification of Exposures and Mitigants: The classification layer includes all regulatory categories, product types, classification of eligible collateral, and mapping counterparty hierarchies, economic interdependence and control groups where applicable.

Gross Exposure Calculation: The calculation engine includes all methodologies including SPV look-through and market volatility haircuts.

Risk Transfer and Net Exposure by Counterparty: Net exposure is calculated by matching all exposures to applicable risk mitigants, allowing the FI to prioritize the application based on any number of attributes.

SCCL Results Cube: The solution delivers FR 2590 reporting including identifying and sorting information on the FI's 50 largest counterparties and will accommodate the final form upon FRB issuance. It enables daily monitoring of exposures and tracking changes, as well as reconciliation of inputs and outputs with standardized reports such as FR Y-9C.

AxiomSL's platform and the SCCL solution incorporate easily within the FI's technology infrastructure, providing built-in functionality and flexibility that enables compliant reporting and rigorous analysis.

With all its exposure and counterparty data, exposure calculation and reporting in one place, the FI can efficiently comply with SCCL and evolve with the changing counterparty- and credit-risk regulatory landscape.

CONTACT

Visit us at axiomsl.com or email us at info@axiomsl.com **AMERICAS** +1 212 248 4188 **APAC** +65 3159 1055 **EMEA** +44 203 823 4600