

Flexible and configurable credit risk management solution enabling BASEL II compliance



Client

- One of the largest banks in the UAE providing a wide range of financial services including retail, corporate, wealth, investment, treasury and international banking
- Possesses a large SME portfolio and 5000-6000 active corporate loan customers on an average

Need

- Achieve BASEL II compliance by streamlining the credit rating and approval mechanism for corporate customers
- Maintain industry specific rating templates for different types of borrowers
- Deploy a solution to ensure consistency and objectivity in decision making
- Automate the credit approval process to reduce application processing time and manual errors
- Ensure scenario analysis and stress testing of borrower financial data

Approach

- Deploy a complete corporate and SME credit risk management solution allowing automation of the credit approval process
- Implement expert credit rating models for
- entity and facility, define business process and integration with core banking

Results

- Flexible rating module allowing credit office to manage various models and financial templates
- Integration of risk management with business strategies
- Use of risk metrics for objective decision making and finer pricing
- Enhanced credit portfolio monitoring and control
- Collection of data for use in statistical modeling and move towards BASEL II compliance

End-to-end corporate credit rating solution for enhanced credit portfolio monitoring and control

The primary challenge was to achieve BASEL II compliance, improve the consistency in capturing data that could be subsequently used for modeling and generate insightful and actionable reports, both at a portfolio level as well as at a borrower level. Sentinel, D&B's BASEL II compliant corporate and SME rating solution, offered complete credit risk rating and workflow modules to address the client's specific challenges.

D&B's customized corporate credit rating and approval solution for objective and consistent decision making

The project implementation included a deployment of D&B expert credit rating models customized to meet the client's internal underwriting process and a reporting suite with regulatory, client specific, and borrower related reports. Key features of the solution included:

- Dual rating mechanism for both entity and facility rating in line with BASEL II guidelines
- Industry specific expert rating models to enable the client to quantify, price and manage their risks and risk premium in an objective and consistent manner
- Objective analysis of financial data by generating various financial ratios and cash flow statements
- Automation of the entire credit approval process through a configurable workflow management module to implement multi-stage process flows and associated maker/checker and routing validations
- Peer analysis to compare borrower financials with industry peers; Sensitivity analysis on projected company financials; Scenario Analysis on borrower portfolios



A comprehensive solution to enable move towards BASEL II compliance

D&B Sentinel's flexible rating modules enabled the client to manage various models and financial templates with ease and helped integrate risk management with corporate business strategies. Besides monitoring and controlling the client's credit portfolio, the solution also facilitated data collection for statistical modeling, thereby enabling the client to move towards BASEL II compliance.