Comprehensive Capital Analysis and Review with Solidatus

The U.S. Federal Reserve's annual Comprehensive Capital Analysis and Review (CCAR) is an intensive assessment of capital adequacy which must be undertaken by the largest U.S. bank holding companies and U.S. intermediate holding companies of foreign banking organisations. It focuses on six areas of capital planning:
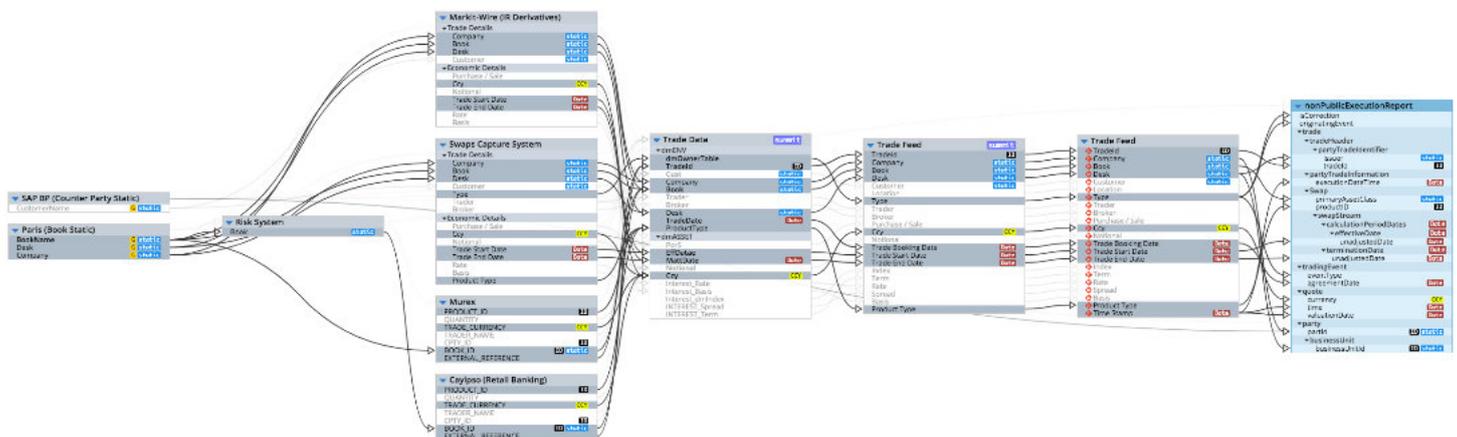
- governance
- risk management
- internal controls
- capital policies
- incorporation of stressful conditions and events
- estimating impact of stressful conditions and events on capital positions.

CCAR includes both qualitative and quantitative assessments of firms' capital plans. The quantitative assessment evaluates each's firm's capital adequacy, based on hypothetical scenarios of severe economic and financial market stress. The qualitative assessment evaluates the strength of each firm's capital planning process, focusing on whether the firm has adequate processes for identifying the full range of relevant risks.

Based on the results of the qualitative and quantitative assessment, as applicable, the Federal Reserve will determine whether or not to object to a firm's capital plan. If a firm receives an objection to its capital plan, the firm may not make any capital distribution other than those capital distributions with respect to which the Federal Reserve has indicated in writing its non-objection.

SOME CCAR CHALLENGES…

- Under the capital plan rule, failure to submit complete data to the Federal Reserve in a timely manner may be a basis for objection to a capital plan. How do you prove your data is "complete"?

- Firms need to ensure that they have sound processes for review, challenge, and aggregation of estimates used in their capital planning processes. How will you defend the soundness of your estimate aggregations?

- Documentation and tracking of model development, implementation, use, and validation are needed to support the CCAR submission. Can you tie your figures back to the appropriate models that generated them?

- If a firm's submitted data quality is deemed too deficient to produce a supervisory model estimate for a particular portfolio segment or portfolio, the Federal Reserve may assign a high loss rate or a conservative PPNR rate to that segment or portfolio. How do you demonstrate the quality of your data?

- The supporting documentation should also include mapping that clearly conveys the methodology used for each reported product line under each stress scenario. How can you document this accurately and concisely?

- How do you meet the expectations for documentation to ensure that the process you have employed is transparent and repeatable?

DELIVERING CCAR LINEAGE FOR TIER-1 INVESTMENT BANKS

SOLIDATUS FOR CCAR

- Solidatus allows the rapid capture, storage and graphical representation of data lineage, together with its supporting metadata. It provides the ability to model interdependencies at increasing granularities, delivering both scope and detail as required.

- The power to document lineage at the attribute level, showing how data moves across the enterprise from capture to ultimate usage, means Solidatus reveals demonstrable data quality.

- Through the intuitive Solidatus graphical interface models can be quickly created but, more importantly, speedily grasped and understood by others. The visual representation of the lineage allows data sourcing to be identified easily and validated as fit for purpose.

- Any entity within a Solidatus model may have an unlimited number of properties, which allows for flexible and comprehensive metadata capture. There are no size limits to a property, allowing a richness of detail to be supported that would be unsustainable in traditional, spreadsheet-based documentation.

- The powerful governance and version control features of Solidatus enable and facilitate federated development, giving subject-matter experts across an organisation the power to take ownership of the lineage and related metadata within their respective areas of expertise. This distributed approach provides an essential foundation to enterprise-scale data governance.

Enterprise Metadata Repository	**Regulatory Compliance Data Lineage**
Development Control (Consistency to Enterprise LDMs)	**Asset Cataloguing**
Policy Terminology and Dictionary Maintenance	**Model Risk Management**

KEY POINTS

- Enterprise wide consistent metadata, available to everyone, is vital for credible CCAR reporting.

- Metadata are key to understanding data.

- Solidatus, through its web based graphical interface, is the best way to catalogue metadata.

- Better understanding of your data leads to better decision making.

- Identifying the right data and model requirements early in the development cycle avoids costly redevelopment after failing model validation.

- Better understanding of your data helps to identify strengths and weaknesses in performance.

- Anticipating regulatory demands reduces "fire-drill" efforts that can disrupt day-to-day business.

- Solidatus will enable elimination of duplication and redundancy.

- Solidatus will help to break down data silos.

- Solidatus provides robustness and resilience, through reducing undocumented metadata.