

FINANCIAL RISK MANAGEMENT

The risk landscape in financial markets continues to innovate and expand, the regulatory landscape is ever changing, and technology continues to evolve. A key challenge for financial institutions is to manage the potential for loss in this environment. A robust risk management framework, including the ability to quantify an institution's risk, is critical to navigating these changes.

BRG professionals can assist your institution in developing a fit-for-purpose risk management framework that meets regulatory standards and is specific to the risk of your institution. Our experts have developed frameworks and models to tackle the most complex problems for financial institutions. They also have implemented simple governance structures and models for institutions that are less complex.

Our experts work with clients in the financial services sector to assess challenges and propose practical solutions, including data management strategies, analysis of complex data and relationships, and development of a workflow for new product assessment and initiation.

We specialize in ensuring that the solution fits the need for the client rather than an off-the-shelf solution that has been used repeatedly. We also leverage the latest technologies to ensure we are providing a solution that will last and meet today's needs.

Risk Management

- Design and implementation of custom risk management frameworks
- Design and production of risk management reports
- Management of complex data
- Design of data architecture

We have expertise across the risk spectrum—from more traditional banking risk (e.g., credit, interest rate, market, liquidity and funding, and operational) to emerging risks that come with an evolving risk landscape (e.g., cannabis financing, cryptocurrency). We understand that the frameworks and reports we develop need to be nimble enough to address the banking industry's risk profile in its entirety.

A financial institution's risk management framework should consider the requirements of first-, second-, and third-line stakeholders. BRG's experts have worked extensively across all three lines of defense at financial institutions. We ensure that the frameworks we deploy consider the inherent checks and balances that are expected of financial institutions as they manage the lifecycle of their products and customers.

BRG's experts regularly train and advise boards of directors and senior management on the needs and requirements for managing risk at complex institutions. We pride ourselves on being able to articulate the evolving expectations of regulatory agencies.

Quantitative Analytics

Our experts have developed quantitative tools to help meet our clients' most pressing issues to give management and the board the ability to quantify their exposure and make informed business decisions. Our tools are designed with the ultimate use of the client in mind to ensure transferability of ownership and comprehensibility of the quantitative tools.

Our tools are supported by robust documentation outlining the purpose of the tools, the methodologies considered, the data used, and the rationales for the decisions. The documentation is designed to meet regulatory scrutiny and allows the model owner to take full ownership of the tools.

BRG's experts have extensive expertise developing quantitative models for:

- Allowance for loan loss (incurred loss methodology and Current Expected Credit Loss)
- Risk grades
- Stress testing – PPNR, credit loss, operational risk, capital forecasting
- Basel-compliant risk modeling, including credit, interest rate, market, and capital estimation methodologies
- Fair lending
- Impairment assessment
- Financial asset valuation
- Bespoke risk quantification

Our experts can also assist in the validation of quantitative and qualitative models. We regularly review models to ensure they meet regulatory requirements¹.

BRG's experts have extensive knowledge of and experience in helping to validate a wide variety of models across financial institutions. In addition to the types of models listed above, BRG professionals have previously helped validate models used for fraud detection, Bank Secrecy Act/Anti-Money Laundering compliance, and asset-liability management systems.



Our review includes assessment of the control environment, the methodology applied, the data and assumptions used, the appropriateness of the results, and ongoing performance assessment.

¹ Supervisory Guidance on Model Risk Management: Federal Reserve Board of Governors: SR 11-7; Office of the Comptroller of the Currency: OCC 2011-12 and 2000-16; Federal Deposit Insurance Corporation: FIL-22-2017; Federal Housing Finance Agency: AB 2013-07.

About BRG

Berkeley Research Group (BRG) is a global consulting firm that helps leading organizations advance in three key areas: disputes and investigations, corporate finance, and strategy and operations. Headquartered in California with offices around the world, we are an integrated group of experts, industry leaders, academics, data scientists, and professionals working beyond borders and disciplines. We harness our collective expertise to deliver the inspired insights and practical strategies our clients need to stay ahead of what's next.

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