



Basel II Reporting and Analysis for Lloyds TSB Personal Banking

The solution uses Microsoft SQL Server 2000 Analysis Services to provide regulatory reports and usage analysis. Business Objects delivers static reports with ProClarity and SAS providing analytics.

Background

Revised international banking regulations, known as Basel II, require banks and other financial institutions to monitor and report the performance of their credit risk modelling systems. However the banks choose to credit rate their customers, Basel II requires that they can demonstrate the appropriateness of their models and their resultant ratings. To support this, financial institutions looking to comply with the Basel Accord will need to store an appropriate level of historical data and will also need to demonstrate full derivation of that data. Using this information, regulators set capital requirements for the bank. These requirements affect the amount of business the bank can do, and therefore, its profitability and return on capital. The bank also makes public disclosure of performance and this affects investors' and depositors' perceptions of, and readiness to do business with, the bank.

Solution

Thorogood carried out a pre-study, recommending a development approach along with a high level design from which the fundamental architecture for Basel II reporting was set across three banking divisions. The solution for Lloyds TSB Personal Banking was the first to be delivered. It called for a data warehouse, built using Microsoft SQL Server 2000, scalable to 350GB of data. (There is a large number of personal banking customers and many parameters of interest about each of them). The warehouse loads and amalgamates information from a variety of data feeds, including the Group Data Warehouse. The use of Analysis Service cubes, ProClarity and a closely coupled interface with SAS provided support for a full range of analysis and reporting options.

Benefits to the client

The solution allows credit risk analysts within the Bank to validate and monitor the performance of the Bank's risk models, using:

- Usage analysis
- Predictive modelling; including a means to validate the predictive models through comparison with historical and actual data.
- What-if scenario analyses to stress test forecasts.
- A wide range of regular and ad-hoc reports for group and divisional managers; such as actual performance against budget and forecast, asset quality, risk migration trends and reporting against flexibly definable customer segments.

The solution provides appropriate database and operational management tools, and fast and open integration with a variety of standard desktop tools and applications. The solution is compatible with the bank's established internal reporting, auditing requirements and procedures.

Thorogood input

It was important to the bank that the systems were delivered to time and to budget. The regulators expected the bank to be able to deliver the information in a timely fashion. The bank's programme of interdependent Basel projects made demands on common internal resources and processes. Thorogood worked in close partnership with Group IT: a principal consultant providing tight linkage between Thorogood management and Group IT management. The development team embraced Lloyds TSB people, bringing expertise to bear on design, development, project management and liaison with line managers within Personal Banking. An open and explicit approach to project risk enabled it to be managed prudently and cost effectively.

Thorogood was selected because it has a track record of reliable delivery at the bank going back many years, and is a specialist in the delivery of high-leverage business intelligence systems. Such systems are demanding because they leverage a core competence of the client. To ensure that the solution is effective, Thorogood deploys specialist expertise in a focused development team.

The project demonstrated that Microsoft SQL Server 2000 and Analysis Services is capable of providing a highly scalable solution and confirmed that Thorogood specialists reliably deliver critical, high-leverage solutions.

Thorogood are specialists in the application of multidimensional, relational, analytical, web-based, desktop and ETL technologies to business intelligence requirements.

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