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Integrated Risks & Capital Management

The banking industry is facing severe economic and regulatory capital shortages, due to more stringent regulations for capital and various pressures by investors and rating-agencies. Hence, integrated risk measurements and capital management are becoming of key importance to risk executives and general managers.

Current practices in capital and integrated risk management rely on two metrics: regulatory and economic capital. Their simultaneous use generates complexity in daily risk decisions. It hinders commonly shared internal risks assessments and practical capital management from the board level directions to their execution by different risk committees.

The aim of the presentation is to describe a new framework (IRCM: Integrated Risks & Capital Management) and its implementation process allowing to:

1. Quantify jointly the impacts of risks on earnings, liquidity, funding and on both economic and regulatory capital, hence fully aligning the two metrics through integrated risk maps,

2. Bring better coherence and complementary comparisons between stress testing approaches and economic capital estimations built on quantitative models.

The IRCM enhance readability of risks at executive committees and management boards' levels. It also creates common metrics of risks to financial management, accounting and to risk management. Quantitative risk management concepts and techniques are of paramount importance in this framework for scenario analysis, risk measures and eventually for decision support.

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