

# **Basel IV Accenture Vision**

**Beyond Regulatory  
Compliance**







# Background

In 2025, with a phased-in until January 2033, the latest amendment to the Basel framework (CRR III/CRD VI) will enter into force, finalizing the reform of the new capital requirements calculation, in response to the financial crises of recent years

## Regulatory Goals

### Boost stability and resilience

Reduce volatility of RWA to make the banking industry more **resilient and stable**

### Greater comparability

Simplifying and standardizing the comparison of EU banks based on their size, scale, and business models.

### Better risk sensitivity

Ensure that **standard requirements calculation models** properly represent risk exposure

### Increase trust

Ensure **simplicity and increase transparency** to strengthen trust in the banking sector





# What's new



**Enhance risk sensitivity of standard approach**, increasing granularity of portfolios' buckets and risk weights and introducing a sensitivities-based approach with properly defined risk buckets and parameters



**Dismiss/restrict internal models adoption** to reduce risk measurement discretion (i.e., Large Corporate, Banks and Equity) and operational risks



**Introduce output floor and review input floors**, to further reduce discretion of Banks adopting internal models within RWA calculation

# Main impacts and actions

## Main Impacts

### Impacts on capital requirements

Due to the increase in RWA there will be a reduction in capital ratios

#### CET1 RATIO<sup>1</sup>

From 15.3% to 13.2%  
weighted averages

#### TIER 1 RATIO<sup>1</sup>

From 16.5% to 14.3%  
weighted averages

### Impacts on banking areas

Basel IV challenges are expected to generate **cross-functional impacts across different banking areas**, including risk management, lending and investment, CFO processes and supervisory reporting, and **going beyond pure regulatory compliance interventions**

## Main Actions

Banks should activate pervasive initiatives at both strategic and operational level

### STRATEGIES



#### RISK STRATEGIES

#### BUSINESS STRATEGIES

#### STRATEGIC PLAN & BUDGETING

### METHODOLOGIES & PROCESSES



#### MODELS & METHODOLOGIES

#### LENDING & INVESTMENT PROCESSES

#### REGULATORY REPORTING

### IT & DATA



#### RISK ENGINES

#### DATA MODEL & PLATFORM

#### IT ARCHITECTURE



# Mitigation strategies

The adoption of the Basel IV regulatory framework will generally lead to an increase in terms of risk-weighted assets for financial institutions. Therefore, it becomes even more relevant to **optimize and refine the calculation of RWA** with the aim to reduce RWA density and the related capital absorption, by acting on **commercial strategies** and **data and process governance**.

## Business & Commercial Strategies

 **Portfolio Management strategies & peers analysis** should be updated to **optimize** and **diversify** the portfolio

 **Pricing processes and models** should be **adjusted** to absorb the increase in cost of capital

 **Commercial strategy and contractual documentation** should be reviewed **to promote more guaranteed products**

## Data & Process Governance

 **Data recognition** and **process review** to identify **gaps** to be refined

 **Better use of data** to improve **customer knowledge and experience**



# Pitfalls to be avoided

***Just setting up the next regulatory compliance exercise, but ...***

**... harness the chance for transforming rules into business opportunities**

***Separated “silo-approaches” between C-levels, but ...***

**... apply long-term strategic and holistic approaches to tackle the heightened complexity**

***Skipping to implementation, because ...***

**... better preparation leads to faster execution**





# How Accenture can help

Accenture possesses an **extensive experience in the Basel Roadmap**, including Basel IV, regulatory reporting, CLO and CFO frameworks at major Italian and international Banking sector players.

It has a successful history of being a trustful partner for numerous financial institutions in their Basel II and Basel III adventures.

Accenture has established **teams of Professionals at Italian and international level**, with specific skills in business strategy, functional, IT and architecture advisory, enabling Accenture to provide an E2E support.

Accenture, leveraging on its experience gained at other clients, has developed **tools able to support the bank in the analysis of regulatory requirements**, with the aim to assess clients' compliance level, identify the impacts and plan the adjustment interventions. Clients can access **RegHub's services**, a central point about the last regulatory requirements and related interpretation made by industrial associations and by the market

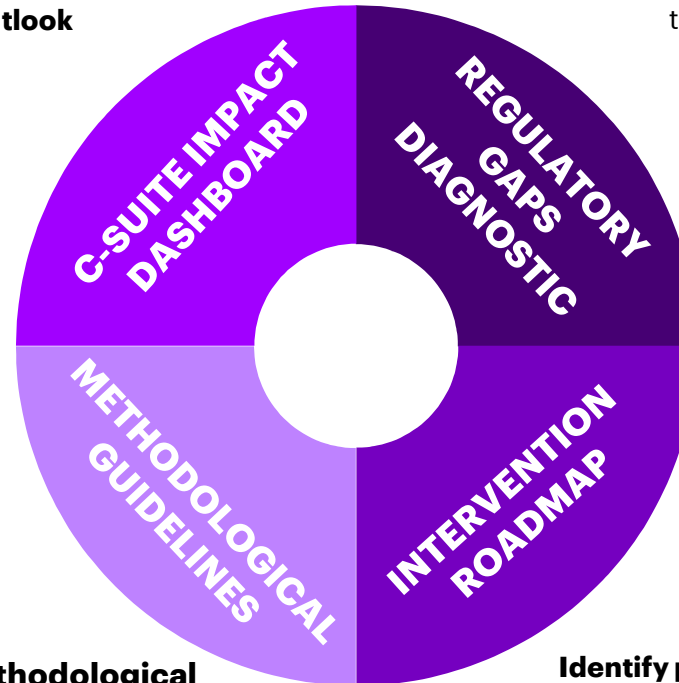
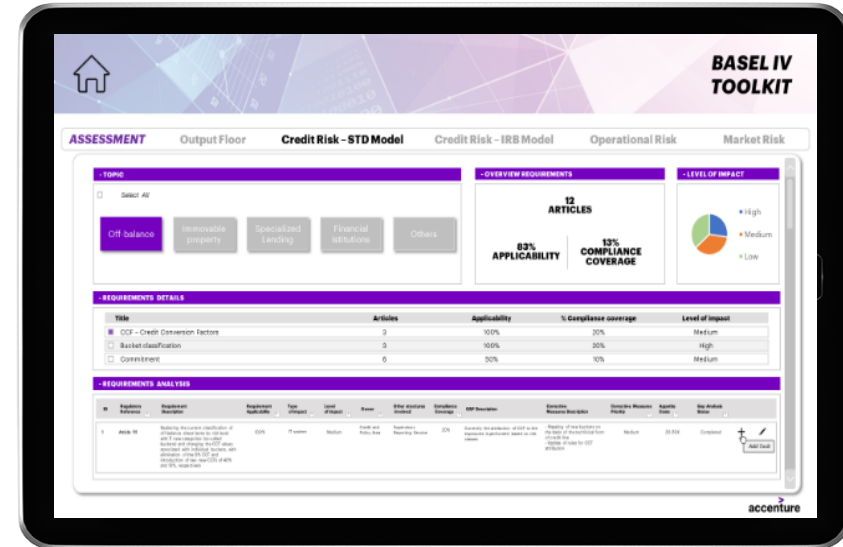


# Our assets to start the journey



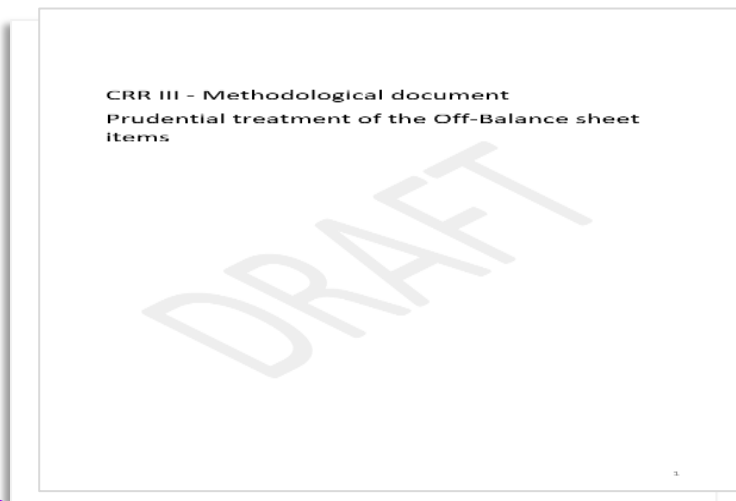
**Overview** of Basel IV main impacts, by comparing the current main indicators versus the new expected ones and benchmark with EBA and market outlook

**Analysis and mapping** of all Basel IV requirements, differentiated for each impacted area providing a brief description and/or interpretation of them



**methodological guidelines** as regulatory interpretation for each main Basel IV regulatory topics

**Identify priority interventions** and set up the overall project from the **definition of a consolidate activities plan** to the project governance,



REQUIREMENTS	Risk Calculation & Reporting	Collateral appraisal	Credit Solution & Origination	2023	2024	2025
1 OFF-BALANCE	✓		✓	Progress bar	Progress bar	Progress bar
2 REAL ESTATE	✓	✓	✓	Progress bar	Progress bar	Progress bar
3 SCRA APPROACH & DUE DILIGENCE FOR RATING ECRI	✓			Progress bar	Progress bar	Progress bar
4 NEW RULES FOR EQUITY, SPECIALISED LENDING & RETAIL	✓		✓	Progress bar	Progress bar	Progress bar
5 OUTPUT FLOOR	✓			Progress bar	Progress bar	Progress bar
6 NEW LOGICS FOR IRB APPROACHES	✓			Progress bar	Progress bar	Progress bar



# About Accenture Risk&Compliance

We help organizations become **resilient businesses and gain competitive advantage** by strengthening their risk & compliance management capability, **harnessing data, advanced analytics/AI and technology, and using risk as a driver for innovation and growth.**

Our core capabilities span across **5 primary Risk Themes:**

- Credit Risk
- Financial Risk
- Regulatory & Compliance
- Operational Risk & Resilience
- Fraud & Financial Crime

Our **Risk Management capabilities are rooted in our market leading industry knowledge**, integrated with our deep risk consulting skills and enabled by our experience in technology and of our Ecosystem partners, and the strategic use of data and analytics.

In addition, we bring along unparalleled expertise in running large scale business operations globally.

For further information please visit the **site**



# Our experts



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