

European Banking Authority (EBA) Solution Demo

Featuring: **Dr. Patrick Jahn**, Vice President, MSCI Analytics

Patrick:

My name is Patrick Jahn, and I'm an analytics consultant at MSCI. I'm helping clients to use our solutions and help them technically and functionally. We help our clients prepare for regulatory requirements. In this video, I would like to show you our EBA stress test reporting solution and its key features.

Using MSCI's RiskManager, the client can take advantage of one of the world's best data sources to enrich security information just by delivering public IDs for exchange traded positions, for example in ISIN. Even the required information for EBA stress test assignment at position level are automatically enriched, leveraging on our terms and conditions databases. For OTC positions, RiskManager offers more than 200 different pricing models, and positions are evaluated accordingly. The EBA stress test scenario is defined at a risk factor level to ensure full coverage of underlying risk factors. Clients have the possibility of modifying the stress test scenario's assignment for each position according to their needs. Moreover, they can reflect their own assumptions and additional risk factors for the EBA stress test exercise considering their own portfolio exposures and approaches.

Our reporting provides all columns of the EBA stress test template for market risk. Stressed P&L, risk class drill downs and more than 300 sensitivity evaluations for all the risk factors prescribed by the EBA.

The structure of the official EBA template for market risk is replicated in our solution, such that our reporting can be used directly as it is, or becomes a simple copy-and-paste exercise for the client.

The report contains detailed drill downs such that results can be analyzed down to position level. This transparency helps clients to validate and explain results in all details. In addition, the EBA stress test report contains all the relevant tags that are used for stress test assignment. It shows for each position the respective stress test scenario used to fully re-evaluate the security. This grants full transparent information for results, validation and analysis.

In order to validate the results from the reporting solution at position level, we even provide stress test and pricing replica that can be used to diagnose the stress test assumptions and

logic behind. This helps the client to explain and defend the results challenged by auditors and authorities.

We provide our clients with a dedicated transparency note that describes all the relevant assumptions of our reporting solution. This document can be shared with both internal and external stakeholders to provide full transparency of the EBA stress test exercise.

Our reporting solution ensures a complete automatization of stress test scenario creation and update. Position level enrichment, stress test assignment, sensitivity computation, what MSCI provides is not a one-time exercise, but a solution that can be integrated in the daily monitoring and reporting process of our clients. The EBA stress test report has been designed with a bottom-up approach to ensure that all possible risk factors are considered in the stress test exercise. Most of our clients have included the EBA stress test among their periodic stress testing programs on their portfolios, extending hypothetical and historical stress test scenarios to regulatory ones.

For more information on our EBA stress test reporting solution visit our regulatory reporting page on MSCI.com

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