

# Key Differentiators in our European Banking Authority (EBA) Solution

*Featuring: Mattia Carlicchi, Vice President, MSCI Analytics Coverage,*

Mattia Carlicchi:

Hello, I am Mattia Carlicchi, and I've been at MSCI since 2015 as an analytics consultant with a particular focus on banking clients and their regulatory initiatives. Prior to MSCI, I worked for a large European commercial bank. In particular, I cover both market and counterparty risk regulatory capital frameworks.

Mattia Carlicchi:

During the last 3 years, we supported several financial institutions in defining complex stress test scenarios for their portfolios. We realized that Risk Management departments tend to spend a large amount of time in addressing technical aspects of stress testing exercises, such as scenario definitions, the assignment of each scenario to their portfolio positions and other technical activities. We think that our clients should focus their attention on value-added activities, such as analyzing the results, adjusting their portfolio positions in order to reduce the impact of possible adverse market scenarios, as well as better-communicating the results to external and internal shareholders. For this reason, given the high expertise that we have on stress test design and solutions, we decided to extend our offering with a regulatory reporting for the EBA stress test exercise. We have developed our ready-to-use and scalable solution that banking clients can use for navigating through this complex stress test exercise.

Mattia Carlicchi:

We believe that MSCI has a markedly different business model from other vendors serving the sell side. In particular, we host our solutions. We offer subscriptions instead of one-time fees. And we have dedicated consultants supporting our clients on a daily basis on their specific use cases. Specifically to the EBA stress test reporting solutions, our offer is characterized by a bottom-up approach in the stress test scenario definitions. In particular, we cover a wide range of risk factors, leading to the definition of more than 2,500 different stress test scenarios. This allows us to have a scalable solution for our client, even for those portfolios whose exposure changes dynamically through time. Another important aspect of our solution

is the seamless assignment of each stress test scenario to the portfolio positions of our clients. In this case, we leverage on our terms and conditions database that we maintain on a daily basis, and we ensure that the stress test assignment at security level is performed consistently with the features and terms and conditions of each position. Another important aspect of our solution is its flexibility. Clients can specify different stress test scenarios, can modify the shocks that are applied and can even decide to treat a given set of positions in a different way than the one prescribed by the regulator. Data quality is our priority. In this case, the reports allow clients to drill down the results until position levels and aggregate the results even at risk asset class. We perform dedicated diagnostic and repricing exercises in order to offer to our clients a fully transparent solution for regulatory purposes. In addition, our EBA stress test reporting solution can be integrated in the daily workflow of our clients. In conclusion, we have an offer that is consistent, comprehensive and flexible. We believe at MSCI that we can support banking clients with our EBA stress test reporting solution and help them in navigating through the complexity of this regulatory exercise.

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