

## **credit risk measurements – the Gauss effect**

### **BUSINESS NEED**

This global highly prestigious investment bank wanted to reduce and mitigate the credit risk associated with its counterparty exposures as much as possible have embarked on a major initiative to migrate and replace their credit risk exposure engine from an existing application called “Sampras”.

Gauss is the global credit risk system for this client. The bank is replacing all other credit risk systems to converge into a global system called Gauss.

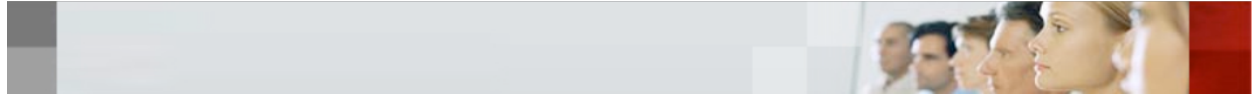
This client needed this project to evaluate its credit risk with each counterparty on a global basis. Each trading desk will be charged with a (CVA) credit valuation adjustment and the global hedge will be performed at the Global Credit Portfolio.

### **OPPORTUNITIES/CHALLENGES**

The major challenges is that the current technology environment as reflected in Sampras did not have the necessary risk features to support the new functionality required of this investment bank.

### **enableIT SOLUTION**

The solution implemented by enableIT allowed this investment bank to satisfy the corporate risk requirements as requested by senior management. The advantage of having a centralized risk management system is the ability to consider the correlation exposures between all the assets when assessing risks. Also, the other added advantages of a centralized risk management platform to allow for the capture of all legal agreements for netting support with counterparties. The netting agreements are designed to offset all positive and negatives exposures thus acting as a credit risk mitigant.



## **VALUE OF INVESTMENT**

Efficient Global risk management will lead this bank to better understand and assess its credit risks on a global scale. The ultimate objective would be to reduce systemic risks associated with the financial markets and provide the required transparency to senior management and to the regulators, if necessary.

## **DOMAIN**

credit risk measurement, derivatives, netting, structured products, collateral, P&L and credit reporting.

## **TECHNOLOGY**

Most of the effort is done using C-BOX. This is an internal tool which gives the end user an easy and efficient way to perform credit reporting, p&l explanation and credit risk billing. Technical requirements include SQL, LINUX, Database architecture and Excel.