



## STRESSTESTING

### Status Quo

Risk models and the application of stress tests are used to quantify risks when checking the solvency of banks. The financial crisis exposed the inadequacy of risk models in place at many institutes, also that the sensitivity of the models was insufficiently identified and that a „translation“ into appropriate control measures did not take place in all instances. Moreover, the supervisory authorities had scant opportunity to produce effective comparisons due to the methodical sovereignty of the individual institutions.

Increasingly, the supervisory authorities therefore focused on the results of stress testing to produce comparative solvency analyses. In turn, this development means that institutes are facing increasingly strict and significantly more complex implementation and execution workloads, as well as the necessity to adapt to a constant cycle of new stress test requirements. This applies to all types of stress test required by the supervisory authorities.

### Consultation paper for the draft guidelines on stress testing and supervisory stress testing (EBA/CP/2016/28)

#### Framework requirements for bank-wide stress testing

##### Overarching aspects

- Requirements for the governance framework, including demands in regard to the control relevancy of stress testing in the bank
- Requirements for an adequate data infrastructure in regard to data integrity, completeness, flexibility and availability
- Regulations on the scope of stress tests, both in regard to the included parts of the company, as well as to the number/type/structure of scenarios and parameters that need to be considered etc.

##### Stress test types

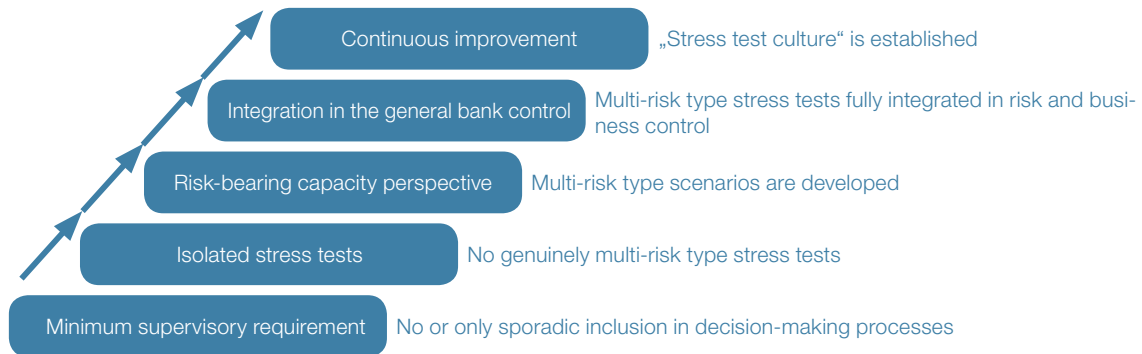
- Stress testing set-up
  - Severities
  - Feedback effects
  - Business model analysis
  - Portfolio cross sections
- Reverse stress testing
  - Comparison with ICAAP and ILAAP
  - Connection to financial recovery planning

##### Risk types

- Consistency
  - between scenarios and risk types
  - Consideration of concentrations
  - Correlation of risk factors
  - Aggregation of risk contributions
- Securitisation
- Conduct risk
- FX lending risk

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## How mature are your stress tests?



## Why choose Geissbühler Weber Consulting?

With Geissbühler Weber Consulting, you will have a partner that helps to satisfy regulatory requirements for stress testing at all times.



## Thank you for contacting us



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