

Case Study

Internal Capital Adequacy Assessment Process (ICAAP) Reports



Client **UK Asset Manager**

Service Risk Management

The Work Our client engaged us to assist them with producing ICAAP reports for submission to the FSA within a 2 month deadline. This assignment required the research and production of ICAAP reports for 3 legal entities and involved undertaking stress and operational risk scenarios with management, producing ICAAP and support documentation and presenting the final ICAAP reports for approval by the respective Boards of each entity.

How We Helped The first step was to review the prior ICAAP submissions to the FSA and understand the nature of their criticism and address the areas recommended for improvement. Through gap analyses and evaluation against best practice the format of the ICAAP document was revised to provide greater required detail and better articulate the risk appetite of the organisations. Separate workshops were held with management of each legal entity to stress their respective balance sheets over a 3 year time horizon including a worse case orderly wind down scenario. In addition, those specific risks associated with each business (i.e. Pillar 2 risks) were subject to detailed operational risk scenarios and the results monetised for input to an actuarial model to compute appropriate capital amounts should a 1:25 year and 1:200 year event occur.

The ICAAP reports together with supporting detail were presented to the respective Boards for review, challenge and approval. Following approval the documents were submitted to the FSA on the committed date.

Value Added By leveraging off knowledge of best practice seen with ICAAPs for other organisations we were able to provide focus and clarity on where the current ICAAP submission was failing and resulting in adverse FSA criticism. Using risk and control skills and experience within the team we were able to perform appropriate risk scenarios which more robustly support the capital provisions set aside in the ICAAP calculation.

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