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QUANTUM PHINANCE™

Success Stories

How we helped an institution verify it's VaR models and help them check compliance with RBI and Basel II guidelines

A leading primary dealership in India with huge trading books in Government Securities, Corporate Bonds, Swaps and Equity required experts to audit their market risk management models and processes. The audit had to involve back testing and stress testing of the VaR model being used, and to check whether the model and the risk management processes followed were in line with the RBI and Basel II guidelines.

Challenges

- Each type of security had a different VaR model being used. Thus, an advanced knowledge of various VaR models was required
- The audit required an extensive knowledge of RBI guidelines and Basel II guidelines
- The internal audit department was not well-versed with the models being used

Our Solution

- After understanding the implementation of the VaR models, the knowledge was shared with the internal audit team, helping them conduct similar audits in the future
- Apart from checking the implementation of RBI and Basel II guidelines, we provided the client with an extensive analysis of scenarios in which a large amount of losses can be incurred by conducting separate back-tests and stress-tests on the data

Benefits

- The Internal audit team has a better idea of the VaR models implemented
- The risk management group now has a better idea about the potential scenarios which might lead to extreme losses
- The audit also satisfied a requirement of RBI to have the VaR models validated from an external agency