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Success Stories

## How we helped the risk group of a leading Indian Bank in estimating the counterparty credit risk?

The middle office of the largest private sector Indian bank was looking to build a tool which can estimate the levels of counterparty exposure in their books which spans across various asset classes. The bank was trying to quantify its credit risk which would allow for better monitoring, control and management.



### Challenges

- ▶ The underlying book was a mixture of plain vanilla instruments and cross asset structures
- ▶ Potential exposures needed complex forecasting models for interest rates and foreign exchange rates.
- ▶ Correlations between different assets had to be factored



### Our Solution

- ▶ Developed a modeling toolkit which can be easily plugged into the bank's trading platform
- ▶ All the models and exposure numbers were validated using back testing procedures



### Benefits

- ▶ The middle office now has access to various credit metrics like average and peak exposure levels and can mitigate the credit risk accordingly
- ▶ A risk manager can observe the profile of exposure levels in future time buckets
- ▶ The bank can report the counterparty limits to the senior management on a regular basis