



Promontory Stress Testing Solutions

DRIVING PRACTICAL, RISK-BASED DECISIONS
AND MEETING REGULATORY EXPECTATIONS



Do You Stand Up Against Best Practices in Stress Testing?

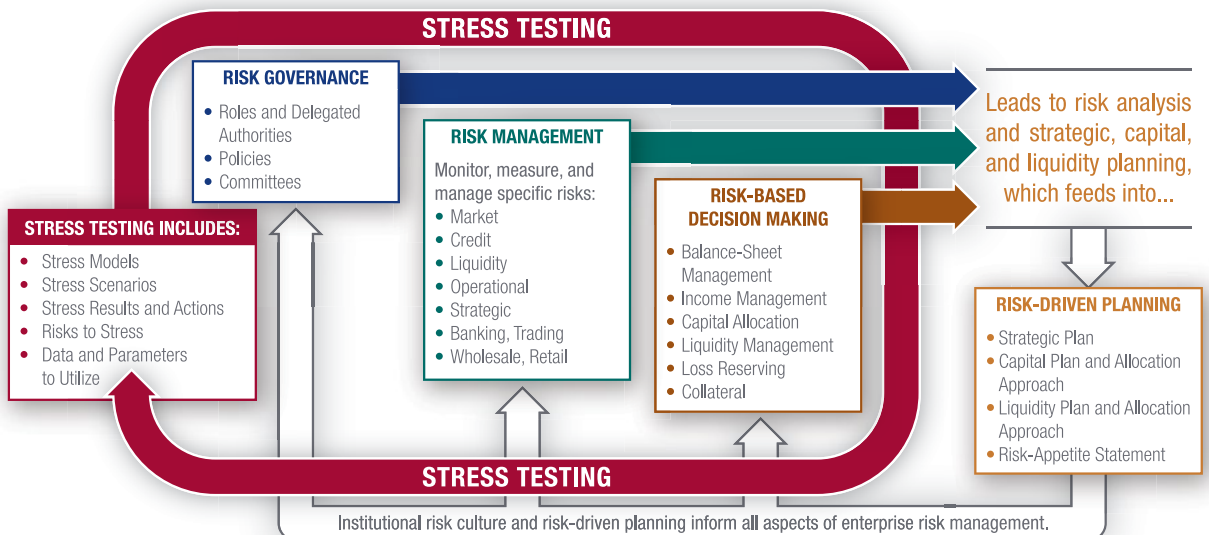
- Is stress testing a well-integrated, core element of the enterprise risk management framework?
- Is risk identification robust and does stress testing incorporate the idiosyncratic elements of your institution?
- Do stress-testing results drive decisions about capital and liquidity, including contingency funding? Does the program measure capital and liquidity, and the linkages between them, in adverse and severe business conditions?
- Does the framework consider risks to the broader institution as well as individual business lines and material concentrations?
- Are models well governed in accordance with model risk management guidance, independently validated, and frequently recalibrated?
- Have stress scenarios passed regulatory scrutiny? Are they dynamic scenarios based on the idiosyncratic characteristics and circumstances of the institution?

Driving practical, risk-based decisions and meeting regulatory expectations

Regulators globally have turned to stress testing as a bedrock risk management discipline, and are holding financial institutions to increasingly tougher testing standards. Promontory, an IBM Company, bases its stress-testing solutions not just on regulatory compliance, but also on helping clients make smart business decisions. We design testing regimes that give institutions answers to fundamental questions— including how to plan for and manage the biggest risks they face. We help transform stress testing from a backward-looking exercise that focuses on rudimentary historical scenarios and basic compliance to a predictive business tool that aids companies in planning for the future, whatever it holds. Our professionals have the expertise to take stress testing past the conceptual stage to analytical design, testing, and validation of the complex scenarios that financial institutions require.

Core Risk Management

Promontory Stress-Testing Solutions support chief risk officers, chief financial officers, and compliance departments in making stress testing an integral part of risk management, risk-based decision-making, and risk-driven planning. Emphasizing an enterprisewide perspective provides risk managers with a consistent method to assess and report risk across disciplines, and the practical applications of stress testing can be as instructive to business-line managers making operational decisions as they are to top executives making strategic ones. Properly conceived and executed, stress testing makes institutions more efficient and better informed about what drives risk at every level of the organization, including the board of directors.



Promontory Stress Testing Solutions

Scalable Solutions

Promontory Stress Testing Solutions are forward-looking, dynamic, and tailored. While we leverage past experience, Promontory's stress-testing services are developed for the risk and complexity of the institution. We consider regional, behavioral, and other characteristics to help companies understand and navigate their unique vulnerabilities. We offer:

- *Planning and governance services, including assessments, roadmaps, and governance-framework development*
- *Model risk management services, including framework development and validation*
- *Model provision, development, and calibration*
- *Data aggregation and risk-identification framework development, risk-factor selection, and scenario adaptation*
- *Reporting and regulatory-submission services, including outsourced analysis*

These offerings are equally effective as part of a coordinated engagement or as a stand-alone service. Institutions at any stage of implementation can target the assistance they seek. We adapt our response to emphasize practical, custom solutions, rather than hand down a set of prescriptive, predetermined remedies.

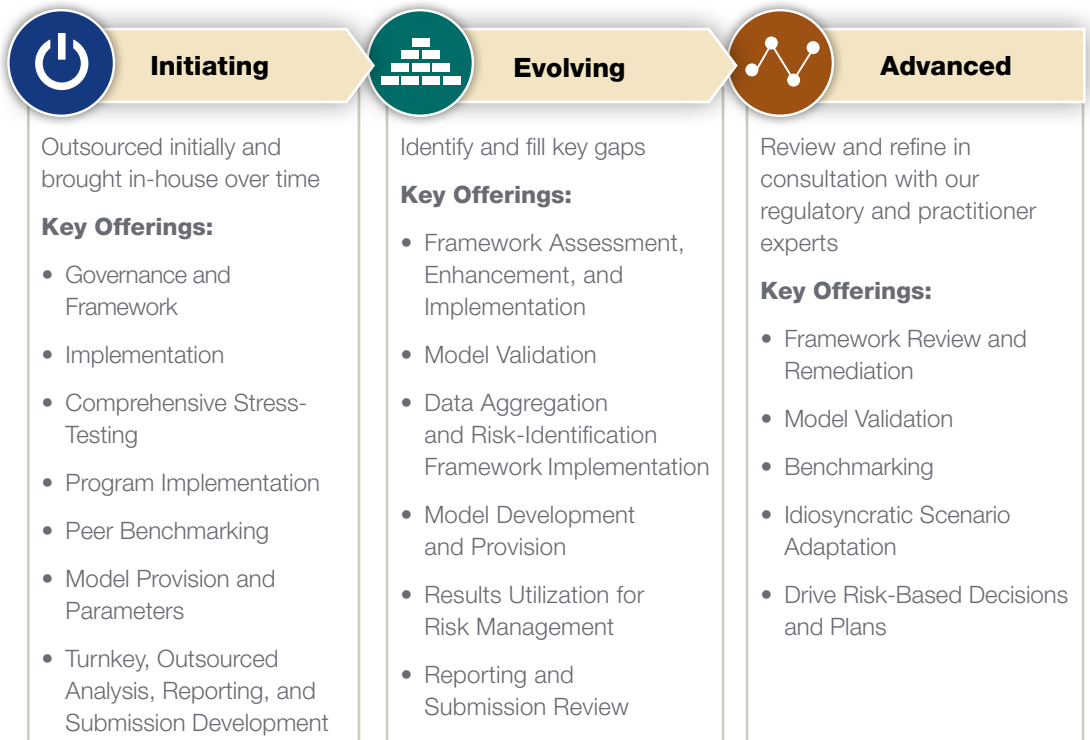


What to Expect

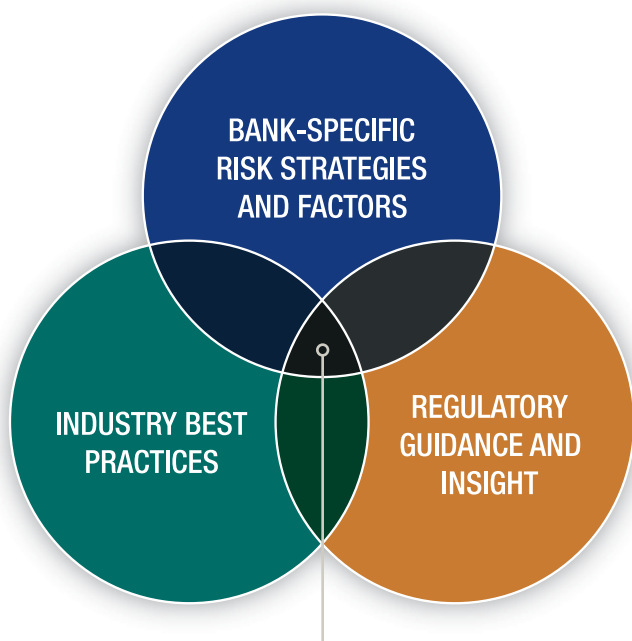
We hold all of our offerings to rigorous standards. They must:

- Portray a balanced picture of risk, whether applied broadly at the enterprisewide level or in a more focused review of individual business lines, including wholesale, retail, and trading operations
- Meet regulatory expectations, including those for governance frameworks
- Go beyond broad regulatory tests to capture conditions and circumstances that are specific to a company and its businesses
- Link results to strategic decisions like capital and liquidity, as well as to operational decisions like underwriting and reserving
- Ensure that models work properly, despite uncertainty and turbulence
- Provide external benchmarks and support better internal analytics, data sets, and processes
- Deliver better analysis and reporting to inform risk-based decisions

Practical Answers for Every Stage of Stress-Test Implementation



The Promontory Difference



Optimally Balanced Stress-Testing Offerings

Promontory Stress Testing Solutions combine the expertise and experience of former regulators and senior executives. Our expanded stress-testing offerings leverage our proven strengths of deep regulatory and risk management expertise.

Clients engage us to analyze key risks and complex issues, control costs, and plan for enhancements to their stress-testing practices. We provide the solutions to implement business strategies and improve performance that help our clients navigate the new financial, compliance, and consumer-oriented regulatory environment.

Institution-Specific Risk Strategies and Factors

- Review the impact of testing results on major lines of business and on risk appetites
- Align stress testing with credit-risk philosophy and loss-reserving approaches
- Utilize stress-testing results for strategic and annual planning

Best Practices

- Generate and use plausible, adapted scenarios, including bank-specific variables
- Develop and deploy idiosyncratic scenarios
- Implement a common stress-testing framework for capital and liquidity

Regulatory Guidance and Insight

- Determine regulatory requirements and efficient compliance
- Leverage regulatory compliance for business benefit
- Interpret regulatory feedback and incorporate into roadmaps and enhancement plans

About Promontory

Promontory, an IBM Company, excels at helping clients resolve critical issues, particularly those with a regulatory dimension. Promontory professionals have unparalleled regulatory experience and insight, and provide our clients with frank, proactive advice informed by best practices and regulatory expectations.

Promontory is a leading strategy, risk management, and regulatory-compliance consulting firm focusing on the financial services industry. Our professionals, with deep expertise gained through decades of leadership at regulatory bodies and Fortune 100 corporations, help entities understand and implement global and national financial services regulation.

Founded in 2001 by Chief Executive Officer Eugene A. Ludwig, former U.S. comptroller of the currency, Promontory became a wholly owned subsidiary of IBM in 2016. Our unique domain expertise, combined with IBM's world-class technology, allows us to resolve challenging national and cross-border issues in banking, securities, commodities, financial instruments, markets, and insurance.



Contact Us

We would be pleased to meet with you to review your current stress-testing program and describe our range of solutions. For more information, please contact:

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