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Conceptual Foundations of a TOM for an ICU



Conceptual Foundations of a TOM for an ICU

 Tuesday, 19 June 2012 |  John A Morrison

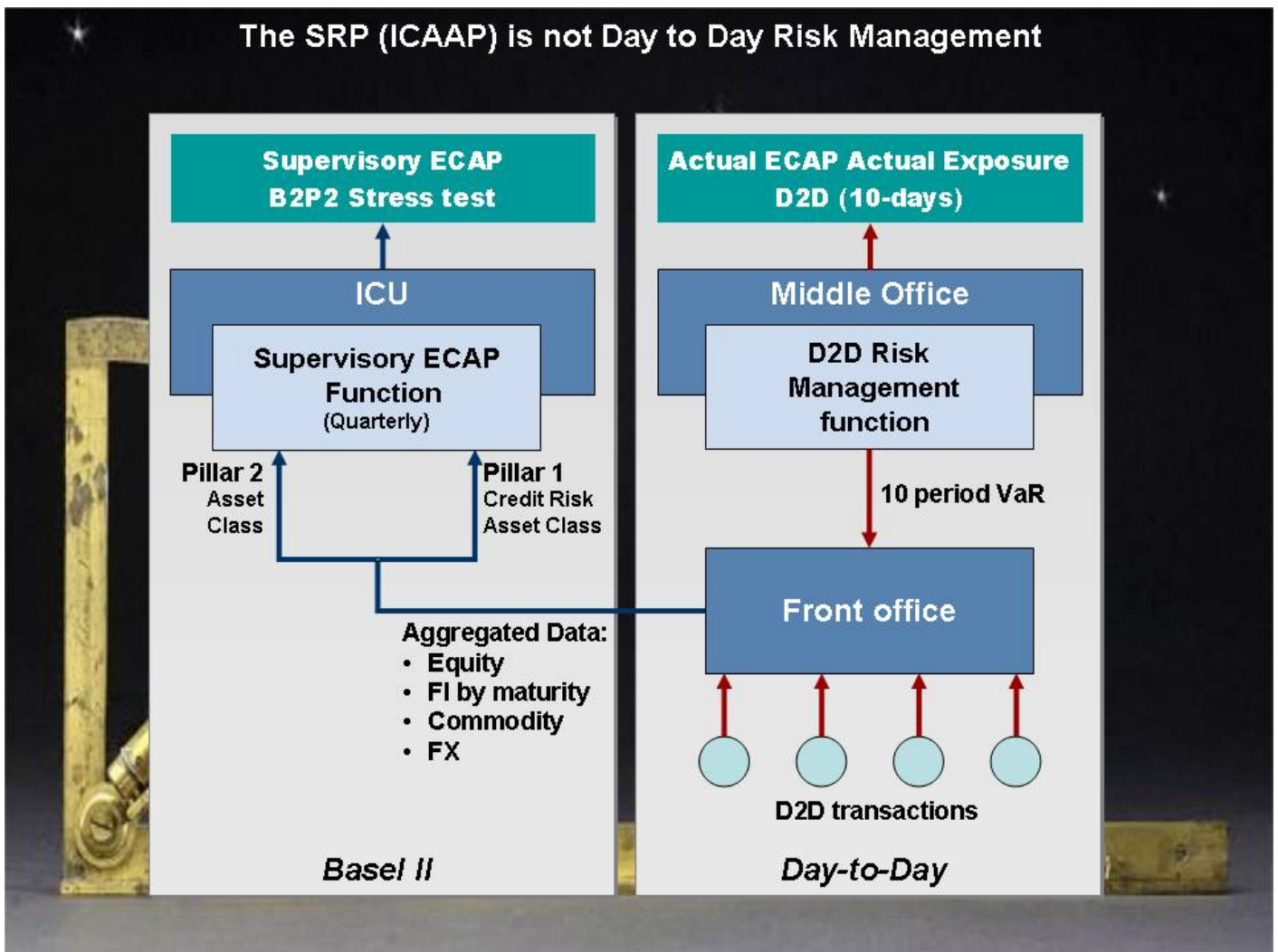


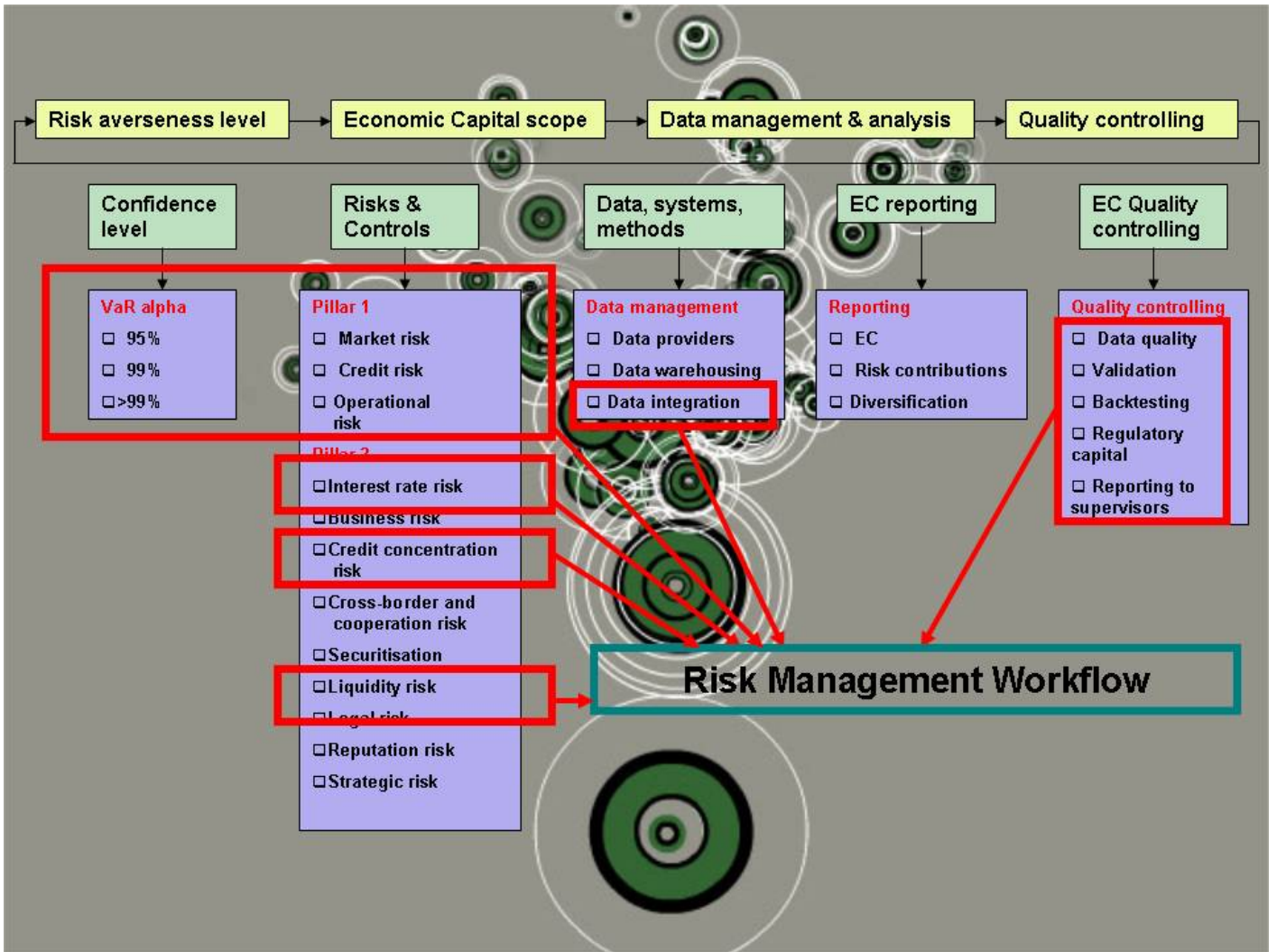
There is a great deal of focus on the TOM (Target Operating Model) for an ICU (Internal Capital Unit of Basel II, Basel III or Solvency II) right now in Europe and the UK. We at asymptotix have done some thinking about it over the years.

Conceptual Foundations of a TOM (Target Operating Model) for an ICU (Internal Capital Unit)

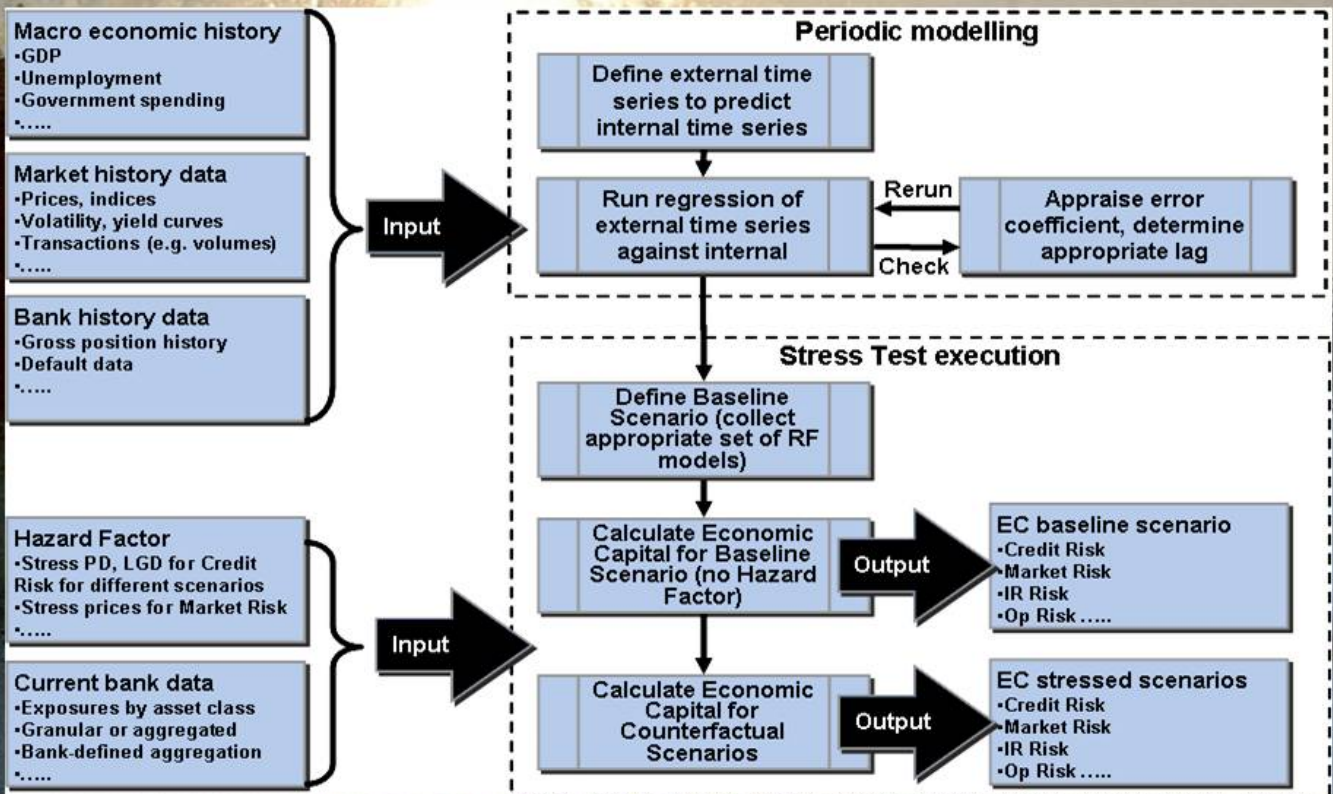


The ICU is that applicable, particularly in Pillar 2 of Basel II, Basel III or Solvency II; development of a TOM is no easy task but is fundamental to the success of technology and process or competence change when implementing an ICU successfully. Clear demonstration of an effective and operational ICU is fundamental to financial institution supervision today. Development of a TOM needs a great deal of thinking and we at asymptotix have done some of that over the years. The foundations of our thinking about ICU-TOM is the SAP B2P2 white paper, vintage 2006^{here}[1] but the clear development of our thinking is the peer-group validated, challenged and socialised approach to development of a TOM for an ICU is given in John Morrison's consolidated presentation of thinking in this space for the academic conference circuit of 2009 / 2010 and it is ^{here} [2] Below in 5 brief pictures we present a summary of these ideas underlying a TOM-ICU; this is just a beginning, a conceptual foundation but presents some elements for consideration which are 'sine qua non';-





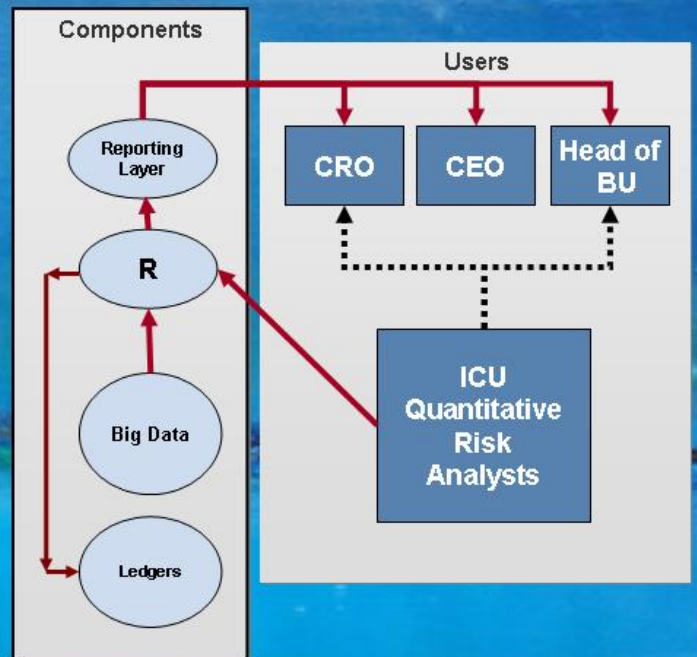
[the] Regression Modelling Process



Support for The ICU (The Internal Capital Unit)

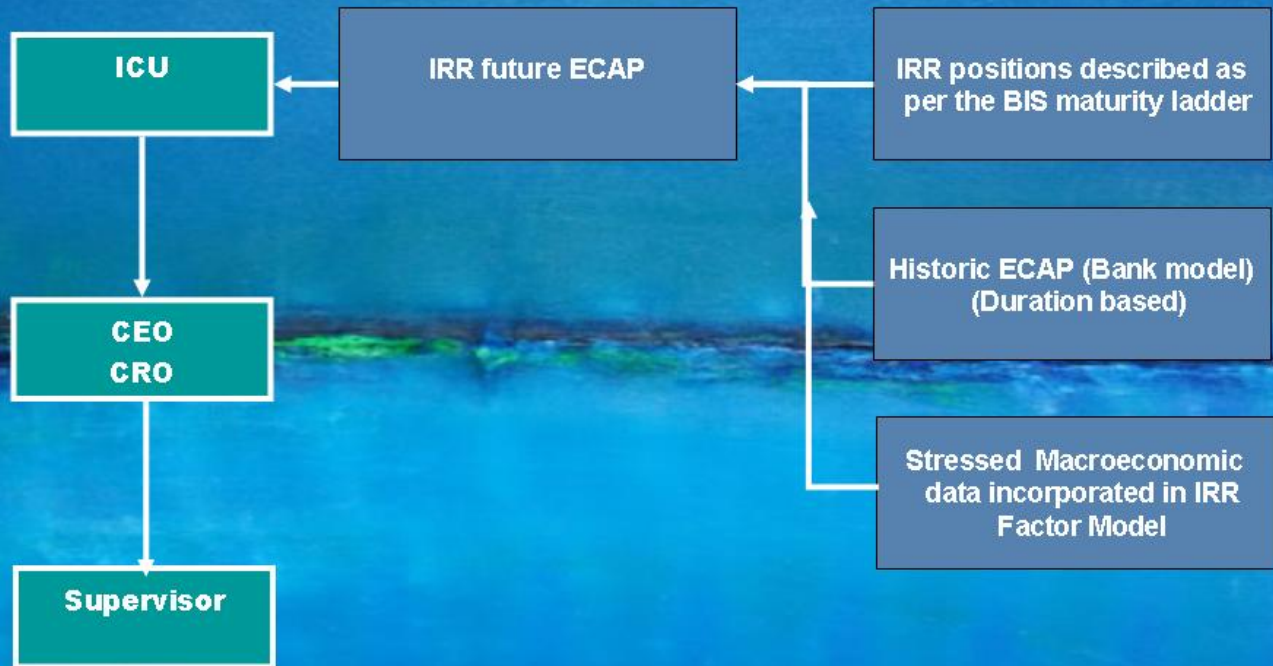
•Environments: 4 main requirements

- Modelling development environment for quant use
- Reporting environment for presentation to C level execs
- Data management
- Support for Sub-Ledger Update
- Support for Unit Tested Regression Engines Updating BA/SL as 'black boxes'.



Stress Test Use Case

Example: Interest rate Risk in the Banking Book



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✘ Tags: [Basel II](#) [4], [Basel III](#) [5], [Internal Capital Unit](#) [6], [Software Architecture](#) [7], [Solvency II](#) [8], [Target Operating Model](#) [9]

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Links:

- [1] <http://www.asymptotix.eu/content/sap-white-paper-solution-architecture-economic-capital-quantitative-analytics-pre-credit-cru>
- [2] http://www.asymptotix.eu/eurisbis_ecrim_09.pdf
- [3] <http://asymptotix.disqus.com/?url=http%3A%2F%2Fwww.asymptotix.eu%2Fnews%2Fconceptual-foundations-tom-icu>
- [4] <http://www.asymptotix.eu/category/topics/basel-ii>
- [5] <http://www.asymptotix.eu/category/tags/basel-iii>
- [6] <http://www.asymptotix.eu/category/topics/internal-capital-unit>
- [7] <http://www.asymptotix.eu/category/topics/software-architecture>
- [8] <http://www.asymptotix.eu/category/tags/solvency-ii>
- [9] <http://www.asymptotix.eu/category/topics/target-operating-model>