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SunGard/PRMIA Survey Finds Basel III is Driving Focus on Risk, but Implementation is Limited

London, UK – June 6, 2011 – Financial services institutions have launched projects to comply with Basel III rules and regulations, but implementation remains slow and organizational changes are a significant concern, according to the third annual survey by the Professional Risk Managers' Association (PRMIA), which was sponsored by [SunGard](#).

The survey addressed four main areas affecting risk management: central counterparties (CCP); credit valuation adjustments; Basel rules and regulations; and the organization of risk management departments.

- With respect to [CCP](#), the survey found that 75% of the respondents felt that central counterparties will not change the overall volume of derivative transactions they are undertaking, although roughly one third (38%) said the mix of business would change.
- The survey found that even though more than half of firms believe that [credit value adjustment](#) (CVA) remains important in managing credit risk and more firms have implemented CVA calculations, 72% of respondents either do not measure it at all or measure it for finance/accounting purposes only.
- While the majority of institutions have now implemented [reverse stress testing](#) and credit stress testing, only 15% (compared to 8% last year) have made reverse stress tests an integral part of their stress testing regime, even though it is a key element of Basel III. There were also few signs of progress towards the monitoring of wrong-way risk or the implementation of credit backtesting systems.

- Responses about the greatest challenge to meeting the new rules showed the most significant change from last year's survey, with a jump from 11% to 16% in the number of people citing [business realignment](#). Although each bank will have its own strategy and approach, this suggests that the new capital charges will affect the business model of many institutions. Further, many banks still treat [credit and market risk](#) separately: 34% have separate credit and market risk departments with separate systems and a further 36% have one department but separate systems.

“Three years after the start of the global financial crisis, discussions of Basel rules and risk measurements are moving outside of risk and compliance departments and firms are making organizational changes to support new regulations. SunGard is helping customers capitalize on new requirements for risk management by providing flexible software solutions that adapt to these ever-changing requirements,” said Mat Newman, head of product management for Adaptiv in SunGard's position, risk and operations business.

About SunGard's Adaptiv

SunGard's Adaptiv provides enterprise-wide credit and market risk management and operations solutions for financial services institutions. Adaptiv assists institutions of varying size and complexity to deploy technology to meet both internal and regulatory requirements for risk management and operational control. Adaptiv helps financial services institutions from the banking, hedge fund, asset management, insurance and corporate sectors with its deep understanding of risk management and operational processes. For more information, visit www.sungard.com/enterpriserisk.

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