



Investec Bank Limited selected **riskpro™** as its group-wide market risk and liquidity analysis platform with installations in Johannesburg and London.

The Challenge

Investec Bank Limited –a leading international South-African private banking group with a public quoted subsidiary in London (Investec plc)– decided in the year 2000 to replace their locally developed ALM solution. They recognized that they needed a more advanced solution that would support the growing international activities of the Group and better help them to manage the increasing risk exposure in foreign currencies.

Among the stated criterion for the new system was a need for the following:

- Comprehensive coverage of market instruments.
- Consistency, breadth, depth and integrity of the planned risk management techniques.
- Good financial planning, cash management functionalities.
- Daily balance Sheet Risk reporting capabilities for the whole Investec Group.
- Flexibility, richness and financial integrity of the simulations over time.
- Ability to meet new Investec specific requirements.
- Ease of use.

To verify the compliance of these criteria by **riskpro™**, Investec and IRIS engaged in several workshops during 2001. After the successful completion of these workshops, the bank was able to begin with the development of the first interfaces to enable a parallel implementation of **riskpro™** for both Johannesburg and London.

The Results

In summer 2003 the implementation of the static analysis functions was completed in London.

Mrs. Diane Kee, manager of the overall project out of Johannesburg, summarized the main business benefits for Investec resulting from **riskpro™**:

- Improved accuracy because data is now modeled at the contract level (versus account level).
- Integrated group-wide reporting is now supported, covering multiple balance sheets.
- Modeling is done for multiple risk factors i.e. market risk, currency risk, interest rate, liquidity.
- Coverage of a broader range of instruments is achieved
- Automation of the various loading, solving and reporting processes.
- Daily processing.

About the riskpro™ implementation

The ALM implementation project was sponsored by the South African and UK organizations. It involved: Balance sheet risk management (as part of Group Risk), group risk IT, treasury, the private bank, business and IT resources from other operations (e.g. Mauritius, Botswana, Channel Islands, Ireland, Australia).

The project was managed by a full time project manager. Investec did not use a standard published methodology but a hybrid methodology devised from both the experience of implementing systems in Group Risk and the riskpro™ knowledge built up during the evaluation workshops.

This allowed for example to start working on the interfaces before the official project start.

IRIS AG was able to remotely support the implementation due to the strength of the bank's ALM, Risk and IT resources. Relying mainly on the riskpro™ documentation, the implementation was completed with only a few on-site visits of IRIS implementation experts.

riskpro™ is fed by customer loans, investment loans, roll over loans, mortgages, discount loans, trade finance, deposits, certificates of deposits, professional loans and deposits, savings and current accounts, bonds, IRS, OIS, caps and swaptions.

riskpro™ Configuration at Investec Bank Ltd and Investec plc, London

Analysis Methods

- Value Exposure
- Replication Portfolio
- Value at Risk (incl. Monte Carlo)
- Dynamic Simulation

Covered Instruments

- Undefined Maturities (savings, deposits)
- Defined Maturities
- Symmetric Derivatives
- Options
- Generalized Black Scholes

Utilities

- Customised Report Generator
- XML Loader
- Contract Selection/Aggregation

Architecture / Number Of Users

- Client/Server
- 5 concurrent users in Johannesburg and London
- 10 registered users

Investec Profile

Investec is a global South-African Banking Group with subsidiaries in 11 countries. It focuses on private client activities, treasury, specialised finance and investment banks and asset management.

Balance sheet 2002: £ 14,959 billion

Market capitalization of Investec plc London: £ 0.695 billion

Staff worldwide: 4'800

Investec has **offices** in Johannesburg, London, New York, Tel Aviv, Namibia, Botswana, Swaziland, Luxemburg, Mauritius, Switzerland, Israel, and Australia.

Start of production with riskpro™: Summer 2003 (London).

Contact

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