CrossCountry Consulting

CCAR / DFAST Compliance

Comprehensive Capital Analysis and Review (CCAR) / Dodd-Frank Act Stress Test (DFAST) compliance continues to evolve as the Federal Reserve Board (FRB) aims to keep financial institutions strong and resilient so they are prepared for adverse market conditions and unexpected risks. A financial institution is expected to meet financial resiliency objectives by maintaining sufficient capital and liquidity, and operational resiliency objectives by maintaining effective corporate governance, risk management and recovery planning.

As part of the evolution in CCAR/DFAST, financial institutions continue to integrate their heavily manual and laborious CCAR/DFAST specific processes into more of a business-as-usual environment. As such, there is an increasing need to streamline and automate the process to not only comply with regulatory needs but provide business value to the organization. CrossCountry has built a multi-disciplinary team with deep industry and CCAR/DFAST experience to assist clients in achieving these desired outcomes.

CCAR / DFAST Compliance

CHALLENGES

Internal Audit Program

Developing an effective audit program and coverage on the CCAR/DFAST processes during the CCAR/DFAST submission period when business units are swamped by production work

Model Governance

Increasing number of CCAR/DFAST models that pose challenges to model governance and validation

Data Management

Fragmented system infrastructure presents challenges in aggregating the data from multiple data sources for reporting

Highly Manual Processes

Increasing number of CCAR/DFAST processes that require human intervention to parse data from one system to another, or mundane and repetitive activities which require a high degree of manual effort

High Costs with No Value Extracted

High operational costs relating to the execution of a CCAR/DFAST program with limited ability to extract a greater business value from the process

CASE STUDY: Global Investment Bank: CCAR Regulatory Remediation Program

Business Problem
Client received a Matters Requiring Immediate Attention (MRIA) issued by the Federal Reserve Board (FRB) related to internal control weaknesses for their CCAR processes.

Solution
- Developed a project plan and assessed the CCAR processes' design adequacy and operating effectiveness. Coverage areas include scenario design, credit/trading/counterparty default stress loss projection, data sourcing for PPNR modeling, capital actions, capital goal and target setting, capital monitoring and limit setting
- Engaged client's senior management regarding the assessment outcomes and provided expert opinions on areas for improvement
- Developed and executed a remediation plan to fortify internal controls and updated the procedure documents to ensure sustainability going forward
- Provided strategic recommendations around adoption of Robotics Process Automation (RPA) to automate existing processes and perform internal control testing to reduce costs and increase accuracy

Business Outcome
Client received an independent assessment of their internal controls and a more robust internal controls framework prior to CCAR submissions. The MRIA was addressed on time and met the regulator's expectations for closure. In addition, the client is in a position to leverage Robotics Process Automation (RPA) in their CCAR process in the near future where it will provide cost reduction benefits.

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HOW CAN WE HELP?

We leverage the expertise of our consultants from various service lines such as Business Transformation, Risk & Compliance and Intelligent Automation & Data Analytics to develop a holistic solution that fits our client's strategy. As financial institutions are experiencing increased regulatory expectations to possess a robust CCAR/DFAST process and to extract business value from the stress testing process, our team can help with the following areas:

Internal Control Testing
- Develop a control testing program that avoids overwhelming business stakeholders with walkthrough and control testing during their CCAR/DFAST reporting production cycle
- Provide support in control design adequacy and operational effectiveness assessments of CCAR/DFAST processes in areas such as PPNR, risk identification, scenario design, stress loss production and governance
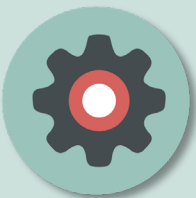
Data Management, Governance & Analytics
- Develop an enterprise-wide data management and governance strategy and policy
- Assess data quality, identify improvement areas, provide tactical and strategic remediations and build a robust control environment
- Implement data analytics to facilitate decision making, monitor CCAR/DFAST processes and/or controls performance (e.g. model or data feeds failures)

Stress Testing
- Provide support in the production, analysis and documentation of stress loss results
- Implement a robust governance structure to validate applied shocks, population completeness, stress loss results, and managing overlays and offline adjustments that impact stress loss results

Process Improvement, Automation and Robotics Process Automation (RPA)
- Develop a strategy and roadmap for automation of CCAR/DFAST processes that looks beyond the initial deployment and establishes a roadmap for increased automation over time
- Optimize existing processes to reduce inefficiency, improve accuracy/completeness and data/information sharing across various functions in order to make more informed capital allocation and business decisions

Change Management / Project Management
- Provide skilled program/project managers to supervise the CCAR/DFAST production workstreams or regulatory remediations
- Manage CCAR/DFAST change projects with various businesses to ensure successful implementation of change at the enterprise level while minimizing disruption to the business

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Contact Us

Bruce Klein
Partner

bklein@crosscountry-consulting.com
646.232.3980

Alan Fagan
Director

afagan@crosscountry-consulting.com
312.806.3398

Gilbert Chua
Managing Consultant

gchua@crosscountry-consulting.com
347.327.3667

CrossCountry Consulting is the trusted partner and expert advisor to leading organizations. We help our clients transform their finance, accounting, human capital management, risk, operations and technology in order to effectively prepare them for complex change, optimized performance and accelerated business growth.

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