Comparing Panelists' Banks

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IACPM China Forum,
June 14, 2011

Explanation of Matrices and Clarifications

- This information is based on surveys of current portfolio management practices conducted by IACPM amongst its members.
- It is accurate as of the date of the survey(s) but details may have changed since the surveys were completed.
- These matrices are “snapshots” involving considerable simplification of each bank's approach to the matters under survey.
- The purpose of the June 14 presentations and panel discussions is to provide richer details of the various banks’ approaches and experiences.

Bank Background, Organization

Item	HSBC	RBC	DB	SCB	BTMU
Portfolio under CPM ($/%)	$300 to $500 billion	$100 to $200 billion	$100 to $200 billion	$100 to $200 billion	Greater than $500 billion
% CPM Book Hedged	1 - 5%	1 - 5%	41 - 50%	10-15%	1 - 5%
Substantial "Public Side" Hedging?	No	No	Hybrid	No	Hybrid
Risks Covered under CPM					
• Large Corporate	✓	✓	✓	✓	✓
• Middle Market/SME			Middle market, not SME	✓	✓
• Real Estate		✓		✓	
• Retail					
• ALM	Co-responsibility	Advisory role			
Internal Reporting Line	Line of Business	Line of Business	Line of Business	Joint Risk/ Business	Line of Business

CPM Mandates Vary between Different Banks

Item	IACPM as a whole	HSBC	RBC	DB	SCB	BTMU
Improve portfolio structure, reduce concentrations	1 – 79%	✓	✓		✓	✓
Provide portfolio information	2 – 75%	✓	✓		✓	✓
Help guide origination	3 – 71%	✓	✓		✓	✓
Manage Return on Equity, RAROC or analogous target(s)	4 – 60%	✓	✓		✓	✓
Optimize Risk & Return (either quantitative or qualitative)	5 – 58%	✓	✓		✓	
Manage maximum "risk appetite" target	5 – 58%	✓	✓	✓		
Manage P&L volatility, absolute P&L and analogous targets	7 – 52%	✓		✓		✓
Manage use of Risk Weighted Assets (RWA)	8 – 50%	✓	✓	✓	✓	✓
Managing Regulatory Change	9 – 44%	✓	✓		✓	✓
Other	10 – 21%	✓	✓			

CPM Functions & Tool Usage Vary from Bank to Bank

Corporate Loan Book (C&I including leveraged)

Legend
Full and sole responsibility
Co- responsibility
Advisory role
Not involved
Does not apply

	HSBC	RBC	DB	SCB	BTMU
Origination					
Transaction Origination/ Vetting	Co-responsibility	Advisory role	Not involved	Not involved	Co-responsibility
Limit/Policy Setting	Full and sole responsibility	Advisory role	Not involved	Co-responsibility	Not involved
Transfer Pricing	Full and sole responsibility	Does not apply	Full and sole responsibility	Does not apply	Full and sole responsibility
Market Tools					
Portfolio /Individual Name CDS Hedging	Full and sole responsibility	Full and sole responsibility	Full and sole responsibility	Advisory role	Full and sole responsibility
Portfolio Securitization	Full and sole responsibility	Does not apply	Full and sole responsibility	Full and sole responsibility	Full and sole responsibility
"Long Book" Investing	Full and sole responsibility	Does not apply	Not involved	Not involved	Full and sole responsibility
Portfolio Secondary Sales	Co-responsibility	Full and sole responsibility	Full and sole responsibility	Full and sole responsibility	Co-responsibility
Support					
CPM Research	Co-responsibility	Does not apply	Full and sole responsibility	Co-responsibility	Full and sole responsibility
Portfolio Reporting/Analytics	Full and sole responsibility	Full and sole responsibility	Co-responsibility	Co-responsibility	Co-responsibility
Quantitative Modeling/Analytics	Full and sole responsibility	Co-responsibility	Full and sole responsibility	Co-responsibility	Advisory role

Banks Vary A Lot on Many CPM Issues

Item	HSBC	RBC	DB	SCB	BTMU
Risk Appetite Statements?	Yes	Yes	Yes	Yes	Yes
Exposure Limits are set for …					
• Obligor groups	✓	✓	✓	✓	✓
• Industry	✓	✓	✓	✓	✓
• Geography	✓	✓	✓	✓	✓
• Other			Product, Rating, Business Type	Rating, Maturity, business type	
Quantitative Model Style(s)? (Economic Capital for Large Corporates)	Moody's Analytics Portfolio Manager	Moody's Analytics Portfolio Manager	Internally-developed Merton model	Moody's Analytics Risk Frontier 4	Numerical Technologies
Internal Pricing Tools					
• Hedging Costs					✓
• RAROC/ EconCap	✓			✓	✓
• Mark-to-Model		✓	✓		

