

# RHOMBUS

A UNIQUE TOOLKIT TO HELP RESPOND TO  
THE EUROPEAN BANKING AUTHORITY'S  
2016 STRESS TEST



# THE TIME IS NOW

## EUROPEAN BANKING AUTHORITY (EBA) 2016 STRESS TEST

53 major European banks will shortly undergo EBA's 2016 stress test. Banks have invested a huge amount of resources into their stress testing capabilities in the last five years, but the requirements from regulators continue to evolve.

The 2016 stress test will be more onerous than 2014, where a full, macro-dependent, migration approach will be needed, along with additional data requirements, to add to the complexity of completing the exercise. Furthermore, the impending IFRS9 changes also increase the reporting burden on institutions.

The typical bottom up approach employed to complete stress tests is slow, and the processing and modelling improvements we have seen are not being sufficiently aligned to the future implications of IFRS 9.

# OLIVER WYMAN'S RHOMBUS TOOLKIT

## WHAT RHOMBUS DELIVERS

Rhombus is a proprietary stress testing toolkit developed by Oliver Wyman which addresses current and known future regulatory requirements. In particular, Rhombus can resolve many of the operational difficulties encountered in the stress test, including automatic population of the 2016 EBA templates .<sup>1</sup>

The toolkit has three key elements, illustrated overleaf.

1. It should be noted that market risk, including AFS and FVO, and operational risk projections are not currently included

# RHOMBUS ELEMENTS

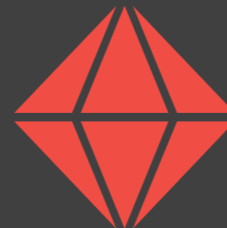


## DART

Provisions and credit  
RWA forecasting and  
stress testing engine

Both static and dynamic  
balance sheet capability

Supports IFRS 9 and  
IAS 39 views



## DIAMOND

NII and non-interest  
income and expense  
projection

Follows EBA 2016  
methodology  
(i.e. static  
balance sheet)



## KITE

Capital roll forward  
calculation, capturing  
differences in legal  
entity structure,  
transitional  
arrangements and  
national discretions

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## REPORTING LAYER

Supports population of EBA 2016 templates  
as well as bespoke management reports

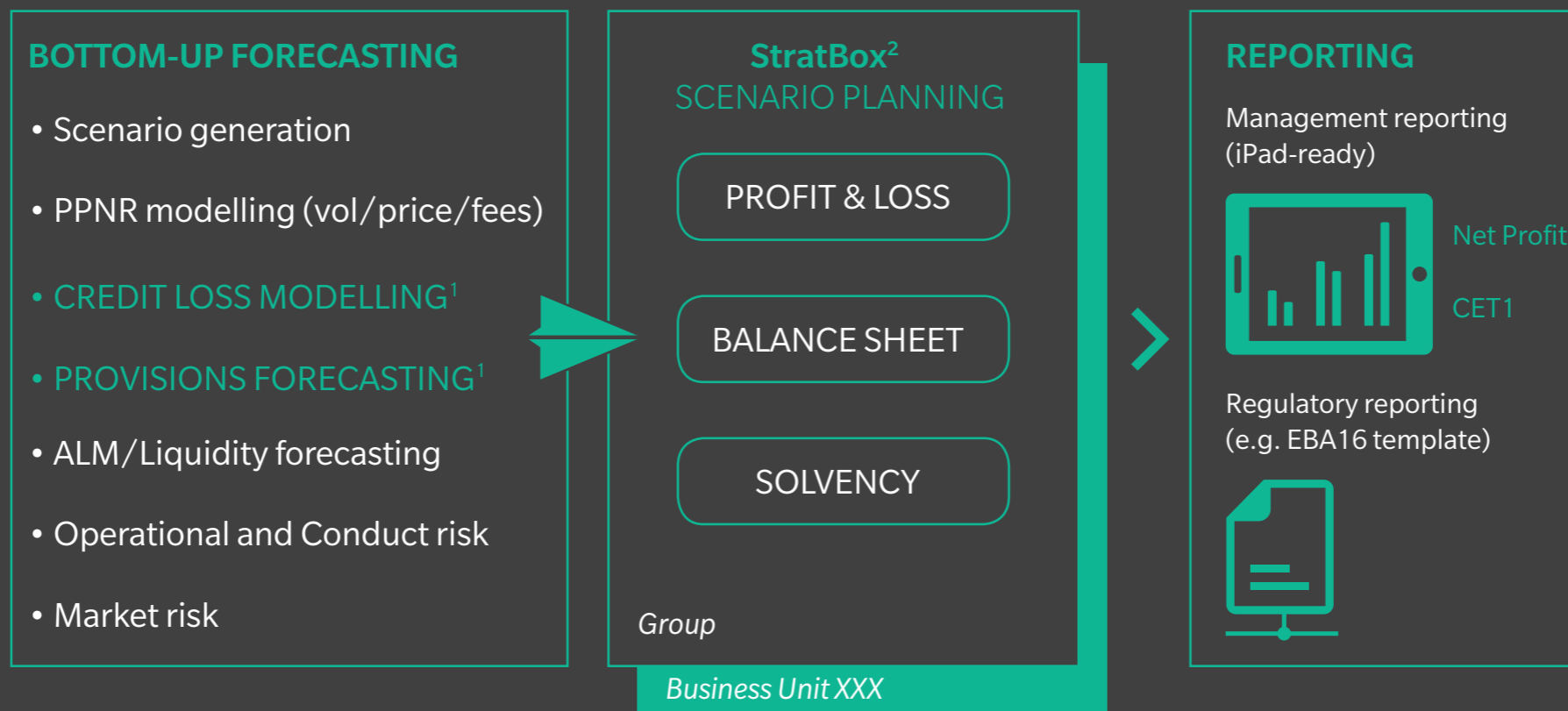
# WHY RHOMBUS

## RHOMBUS ADDRESSES MANY OF THE OPERATIONAL COMPLEXITIES WITHIN STRESS TESTING:

- The toolkit can be tailored to adapt to existing processes, and fully aligned with bottom-up inputs on new lending volumes, pricing etc.
- It can be broken down to a modular basis, individual elements can be utilised independently
- The output from the toolkit is automatically populated into the 2016 EBA's reporting templates
- It is implemented in Excel and SAS to provide both speed for top-down reviews and robustness to conduct an enterprise level stress test; the code can also be translated into different languages
- It is designed to comply with IFRS 9

# RHOMBUS and StratBox

The Rhombus Dart model can work seamlessly together with the business focussed Oliver Wyman StratBox planning toolkit.



1. Existing client models or Oliver Wyman solutions (e.g. RHOMBUS / PPNR)  
2. StratBox– Strategic Planning and Regulatory Stress-Test (incl. EBA 2016)

# WHAT OLIVER WYMAN CAN OFFER

Our team of experts have the deep industry knowledge to simplify complexity through specialised process and methods. Combined with our experiences in working with leading financial institutions, Rhombus can address modelling, estimation, analysis and reporting, ensuring readiness in meeting all the requirements in the stress test, simultaneously delivering real benefits.

**FOR MORE INFORMATION PLEASE CONTACT:**

[stress.testing@oliverwyman.com](mailto:stress.testing@oliverwyman.com)

OLIVER WYMAN IS A GLOBAL LEADER IN MANAGEMENT CONSULTING THAT COMBINES DEEP INDUSTRY KNOWLEDGE WITH SPECIALISED EXPERTISE IN STRATEGY, OPERATIONS, RISK MANAGEMENT, AND ORGANISATION TRANSFORMATION.

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