



MVL Consulting Private Limited

#17, Laxman Villa Condominium, Paud Road, Pune 411 038 India

Telefax” +91-20-25466154, +91-20-25422874, Email: info@mvlco.com, Website: www.mvlco.com

An Overview of Services to Banking Sector

About Us

MVL Consulting Private Limited (MVLCO) is a group of banking and finance professionals having accumulated expertise of hundreds of man years. As a professional consulting firm, MVL Consulting has been operating since 1996. We bring to bear a wealth of practical experience of directly operating in and regulating financial markets, and of providing relevant training. We and our Associates have gained this experience in senior positions in Central Bank, large commercial banks, merchant banks, fund management companies, stock exchange and its leading member firms, other international consulting firms etc.

Our Consulting Services:

MVL Consulting has expertise in following areas:

- Risk Management including Credit Risk, Operational and Market Risk Management
- Risk Profiling and SWOT Analysis
- Bank Supervision/Audit Mechanism and Adoption of Risk Focused Internal Audit
- Credit Risk Management and Credit Portfolio Evaluation
- Customer Due Diligence and Compliance with Know Your Customer Procedures
- Project Techno-economic Feasibility Studies and Project Monitoring
- Borrower Credit Appraisal and Working Capital Assessment
- Borrower Security Evaluation and Stock Audits
- Asset and Liability Management System and Management Information System
- NPA Management Advisory Services
- Business Valuations and Asset Valuations
- Information Systems / EDP Audit, Software Evaluation
- Bank Staff Training
- Preparation of Instruction Manuals for Credit, Audit and other bank functions

Risk Management

Financial Institutions and Corporations are increasingly facing market, credit and operational risks. Clients, supervisory authorities, shareholders and the broad public continue to express much higher demands on risk management. Together with our clients, MVL Consulting designs and implements solutions for identifying, measuring and controlling risks in a consistent and integrated way. Dedicated to our extensive consulting approach, MVL Consulting provides a broad range of professional services, reaching from conceptual business consulting to implementation services for software systems. With our uniquely qualified consultants and project managers



MVL Consulting is able to provide comprehensive consulting services in each of the following areas:

- Credit Risk Management
- Market Risk Management
- Risk Strategy
- Asset- & Liability Management

The Risk Practice supplies high value specialised consultancy to investment banking and other companies categorised within the securities industry. This consultancy is based on a combination of up to date expertise in current Risk Management techniques, in-depth business knowledge and the proven expertise of specialist consultants. The primary service offered supports the three major areas of risk management; Market Risk, Credit Risk and Operational Risk. Of these, the services offered on Market and Credit Risk is specific to; *Methodology Advice; System Evaluation, Selection and Implementation; and Financial Engineering*. The Operational Risk includes *Strategic Advice and Risk Profiling*. The primary targets for Market and Credit Risk activities are the Investment Banks. The Operational Risk targets cover the full range of chosen marketplace including Brokers and Investment Managers

Do You Know Your Risk : Risk Profiling Services

In the proposed Risk Based Supervision Mechanism, the Reserve Bank of India has put emphasis on eight business risk areas and four control risk areas. MVL Consulting has garnered substantial expertise in risk profiling of these areas, development of risk architecture and introduction of risk mitigating controls.

Business Risk

- Capital
- Credit Risk
- Market Risk (other than liquidity risk)
- Earnings
- Liquidity Risk
- Business Strategy and Environment Risk
- Operation Risk
- Group Risk

Control risk

- Internal Control Risk
- Organisation Risk
- Management Risk
- Compliance Risk



Our SWOT analysis technique assists a bank to compile its own risk profile, and take proactive action for mitigation of risks. Our consulting services of conversion of traditional internal audit to risk focused internal audit would enable the bank to enhance its control over risks.

Risk focused Internal Audit Services:

The Bank Level Preparations under RBS approach require the Banks to set up Risk Management Architecture and gradually move towards Risk Focused Auditing. As the principal foundation for RBS is the availability of detailed data and accurate data, there is also a need to devise a policy for backup and storage of various databases on regular intervals. The policy should specify details like frequency of backups, media to be used, off-site storage areas, departments and officials responsible for these actions. Under the RBS approach, the accuracy, completeness and the timeliness of data are very important and would have to be ensured by banks through up-gradation of their management information and information technology systems.

The major transitional task would be the reorientation of organizational set up by banks in line with the recommendations for bank level preparation. This important task includes skill formation, attitudinal changes, development and retention of specialist staff, extensive training and redeployment of staff

MVL Consulting, its associate companies and consultants are in the field of banking and finance for more than fifteen years. We, at MVL Consulting have substantial expertise in the form of Risk Management Professionals, Bank Supervision Experts and Information Technology Systems Professionals available with us for rendering consulting services in Bank Level Preparations in respect of various stages in Risk Based Supervision.

Credit Risk Management:

The credit risk practice of banks is currently facing a change in paradigm. Increased competition and stronger shareholder value orientation has driven the application of concepts which aim to determine the price of a loan on a risk-adjusted basis (risk-adjusted pricing & RAPM).

Recent efforts of the Basle Committee on Banking Supervision have resulted in the introduction of a new framework for the capital adequacy regulation for credit risk. Within this framework, a strong emphasis is being put on the banks' own internal rating systems (IRB approach) as well as modern portfolio modelling concepts. The IRB approach to capital regulation which might be implemented as soon as mid 2005 will relate the assessment of counter-party creditworthiness on the banks' own rating system.

At sophisticated banks, portfolio-based credit risk models like CreditRisk+ or CreditMetrics form the core of a highly analytical approach to measuring and managing credit risk including instruments like e.g. credit derivatives.

MVL Consulting supports the concept and implementation of a professional credit risk management practice:

- analysis and design of processes for an integrated credit risk management
- development of rating systems and RAPM modules (risk-adjusted pricing)
- implementation of modern portfolio-based credit risk models

Credit Risk

Components of Credit Risk Management Consulting include the following niche areas:

Strategic Credit Risk Management

- Credit Strategy Planning and Policy Definition
- Organisation Frameworks
- Organisation System and MIS Development
- Individual Grading / Credit Analysis – Risk Rating
- Portfolio evaluation
- Credit Risk Measurement
- Design / Development /Implementation of Credit Risk Rating Framework
- Sector / Industry Review Services

Project Techno-economic Feasibility Studies, Credit Appraisal and Borrower Monitoring:

The risks involved in large projects and large loan exposures are multi-fold. These risks need to be assessed and analyzed carefully before any exposure to such risks is taken by banks. Subsequent to the disbursement, the risk is enhanced further

One of the most prominent causes for NPAs, as often observed by RBI Inspectors, is the slackness on the part of the credit management staff in their follow up to detect and prevent diversion of funds in the post-disbursement stage. Close monitoring of the account particularly the larger ones is the primary solution for avoidance of NPAs. Emerging weaknesses in profitability and liquidity, recessionary trends, recovery of installments / interest with time lag, etc., should put the banks on caution. The objective of project monitoring should be to assess the liquidity of the borrower, both present and future prospects and act as an early warning system.

Corporate Scan

The regulators worldwide are in the process of setting out the policy, procedures and controls required to be introduced by banks and financial institutions. These include strict adherence to “Know Your Customer” (KYC) procedures for prevention of misuse of banking system for money laundering and financing of terrorist activity.

Under the “Know Your Customer” KYC services, MVL Consulting conducts and evaluation of each individual borrower. The evaluation approach consists of :

- Evaluation of industry / sector risk
- Evaluation of business risk
- Evaluation of financial risk
- Evaluation of management risk
- Evaluation of project risk

It is very essential for the banks to have controls and procedures in place so that they know the customers with whom they are dealing. Adequate due diligence on new and existing customers is a key part of these controls. Without this due diligence, banks can become subject to reputational, operational, legal and concentration risks, which can result in significant financial cost. A close monitoring of customer is possible only when you Know Your Customer.

Customer Due Diligence includes:

- Customer acceptance policy,
- Customer identification,
- On-going monitoring of high risk accounts and risk management.

Market Risk Consulting

Following the integration of financial markets and a wider application of derivatives in recent years the management of market risk in trading and asset management has become more complex task for banks. The importance of these risks have also been acknowledged by the banking supervisors which resulted in a number of qualitative and quantitative minimum requirements. Adequate management processes and modern methods are vital for an effective market risk control and serve as a basis for the optimization of the risk-return-relationship.

Recently, asset managers too have discovered the benefits of using modern risk management methods. An added value is being provided by efficiency increases as well as meeting clients expectations concerning a transparent risk-adjusted performance measurement reporting.



The business unit risk management consulting for trading and asset management of MVL Consulting provides the following services:

- analyzing the risk map
- definition of the risk strategy
- Implementing enterprise-wide risk management concepts: value at risk, limit systems, risk reporting etc.
- helping asset managers and private banks to provide comprehensive risk reports for their customers
- setting up the regulatory reporting for market risk

Risk Strategy Consulting:

MVL Consulting provides the following services in the area of risk strategy consulting for banks and financial institutions:

- analysis and solutions for strategic, organizational and processual problems of the institution's risk management practice
- risk policy and consulting for senior management
- analysis and solution for specific problems like modern risk measurement concepts, limit systems, risk reporting etc.
- implementation of qualitative & quantitative regulatory requirements

Asset- & Liability Management (ALM)

Banks which focus on the interest rate risk-sensitive commercial banking business need to be able to actively measure and manage banking book risks in order to achieve a adequate return for their shareholders on a risk-adjusted basis. With an asset- & liability management (ALM) banks can find an optimal risk-return-equilibrium by using modern methods of finance.

The importance of an adequate ALM process has recently been stressed by the regulators as well. The Federal Banking Commission has published a respective ruling (EBK-RS 1/99) which clearly defines the necessary qualitative and quantitative requirements. Above that, it has introduced a industry-wide, periodical, external interest rate reporting towards the Swiss National Bank.

Recent developments show that corporates as well are interested in financial benefits which result from the application of modern ALM methods.

MVLCO provides a range of services to banks, assurance companies and corporate clients towards the design and implementation of a state-of-the-art ALM process.

MVL Consulting Private Limited
#17, Laxman Villa Condominium, Paud Road, Pune 411 038 India
Telefax" +91-20-25466154, +91-20-25422874, Email: info@mvlco.com, Website: www.mvlco.com