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Measure, Manage and Understand

Press Release

Stress and Scenario Testing – Thinking the Unthinkable

Quadrant Risk Management (International) Limited (“Quadrant”) announces the publication of a White Paper, “Stress and Scenario Testing” which comments on the role and implications of Stress and Scenario testing for Financial Services Institutions in the light of the Credit Crunch.

London, UK, 11th February 2009, Quadrant, specialist domain consultants and systems supplier, in risk and compliance to the Financial Service Industry today announced the publication of the latest in a range of White Papers commenting on the implications of the Credit Crunch for Financial Service Institutions. In “*The End of the Beginning – Embedding Risk in a Basel II World*”, Simon Baker, Deputy Head of Consultancy, outlined why Basel II was in effect not an end in itself but the beginning of establishing risk management and capital planning at the heart of the organisation. In “*Stress and Scenario Testing*” Simon comments on the recommendations made by the UK Financial Services Authority’s Consultation Paper, published in December 2008, on the subject. It summarises the main requirements, relates it to capital adequacy and preparation of the ICAAP and makes recommendations on best practice.

The significance of the topic, Stress and Scenario Testing, is further illustrated in recent comments by Lord Turner, the new Chairman of the FSA, on the Today Programme (BBC Radio 4 on 22nd January) when he said “what you can do is run a stress test that says I’ve made sure that they’ve got enough capital to deal with even a big deterioration.” Developing the topic further Simon says, “it has never been more important for banks to really understand the resilience of their portfolios, and, by extension, their entire organisation to the threats posed by severe downturns. And this does not mean a downturn in one economy, but a downturn in the global economy. Downturns in apparently unrelated areas can spread through contagion that was not previously thought to be likely or possible. As a result banks must have the courage and imagination to think the unthinkable in their stress and scenario testing. Regulators are driving this, and banks must embrace it.”

You can download the white papers at www.qrmi-group.com/creditcrunch/ or contact Simon Baker direct at simon.baker@qrmi-group.com.

About Quadrant

Quadrant Risk Management (International) Limited was formed in the UK in 1991 as a specialist consultancy by risk management professionals who had previously operated at board level in financial institutions. In 2001 Quadrant diversified by developing its domain expertise into the **B²**, Quadrant’s risk and compliance suite, in response to the Bank for International Settlement’s Basel II Capital Accord. **SAB²** was introduced in 2006 as a Standardised Approach solution to meeting the requirements of Basel II. In November 2006, with venture capital funding, Quadrant acquired Ecensity Corporation, a specialist in SOA (Service Oriented Architecture) to enhance its technology base and delivery capability. In January 2007 Quadrant announced that it is developing **S²** to address the risk based capital adequacy requirements being introduced with Solvency II for the European insurance industry, currently planned for 2012.

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