Accounting for credit risk traditionally looks back, at events that have already occurred. So, when International and then US accounting regulators created new sets of forward looking credit-risk rules, it was not just a matter of creating different reports, but also one of adopting a new accounting mindset. For this Dutch commercial bank with US operations, it was a double challenge: building a response that would both comply with US rules, and co-exist with solutions implemented earlier at the holding company level in Europe. KPMG was invited to help the bank address the new US rules.

Working with KPMG, the bank re-examined its credit risk models, processes, data needs and reporting capabilities, making changes informed by its European solutions. More importantly, KPMG helped the bank acquire new cross-border awareness, and lead the way in practicing what many organizations preach – “think globally, act locally.”

In responding to comparable-but-different credit-risk reporting demands in Europe and the US, KPMG teams in the Netherlands and US helped the organization respond in complementary ways to multiple regulatory stakeholders:

— Accounting rule changes developed for the US that acknowledge and support precedents established earlier at the holding-company level in Europe.
— Cooperation, connectivity, and communication fostered and established between Dutch holding company and regional US credit-risk, accounting, IT, financial reporting and data functions.
— Foundation established for future-state adoption of a centralized “data lake” model to support all reporting functions.
— Chief Financial Officer and Chief Risk Officer teams fully advised and equipped to manage adoption risks through the compliance-implementation pipeline.
KPMG teams in the Netherlands and US worked to help the bank address new requirements for measuring and reporting estimated credit losses on loans and debt securities, as mandated by the Financial Accounting Standards Board’s rule (FASB CECL). KPMG:

— Conducted significant gap assessments to diagnose challenges and prioritize initiatives.
— Designed top-to-bottom workstreams to address accounting, data modeling, risk analytics, process, data system technology, and financial reporting.
— Prepared implementation roadmaps for newly-required documentation, systems buildout, systems and outcomes testing, and training.
— New protocols and governance for data management created, to support eventual establishment of a single, enterprise-wide “data lake.”

If you are interested in learning more about this case study, or if you are experiencing similar issues, please contact us.

Patrick Browne
patrickbrowne@kpmg.com
202-256-9096

Reza van Roosmalen
rezavanroosmalen@kpmg.com
212-954-6996

Tim Pardoel
timpardoel@kpmg.com
917-438-3565

For more information about navigating today’s dynamic business environment, go to: www.kpmg.com/us/dealadvisory.