

Risk Grading System

Objective:

This project was undertaken for one of the large banks in the African Continent. The objective was to allocate “Risk Grades” to all the customers of the bank based on the account behavior and understand the credit risk of the bank.

Process followed:

The primary objective of this project is to ensure the systematic risk grading of all customers of the bank. This was a three step process:

- Risk Grade all the customers of the bank
- Create a Risk Repository to keep the track of the Risk Grades allocated to the customers over a period of time.
- Create MIS reports out of the data in the repository for the strategic decision making purpose.

Risk Grading:

A Risk Grading Engine was created to allocate grades to the customers based on the various parameters in the account (account behavior). This engine incorporates various business rules defined by the financial experts in the bank. The customers of the bank are classified into three categories (Retail Banking, Business Banking, and Corporate Banking). Customers in each segment are risk graded and the data is kept in a separate repository.

Risk Repository:

A risk repository was set-up to consolidate the risk grades allocated by various systems. This repository is used for the regulatory reporting.

The solution consists of a database to accommodate risk grade from various risk-grading systems, batch programs to extract the risk grade data from these risk-grading systems and a reporting functionality to generate a consolidated risk grade report.

Reporting:

The Risk Repository application consolidates all the data to one central repository and prepares a comprehensive report. This report is part of the Management Information System (MIS) and assists the top management to make strategic decision.

Technologies Used:

The application was built using the Java platform (Java 5). Multi threading was used extensively to optimize the performance of the engine.

The Repository was built using SQL Server database system. Java programs were used to pump data into the system.

A web front-end was built using the Java Enterprise Edition technology and Struts framework where the users can view and download the various reports.