

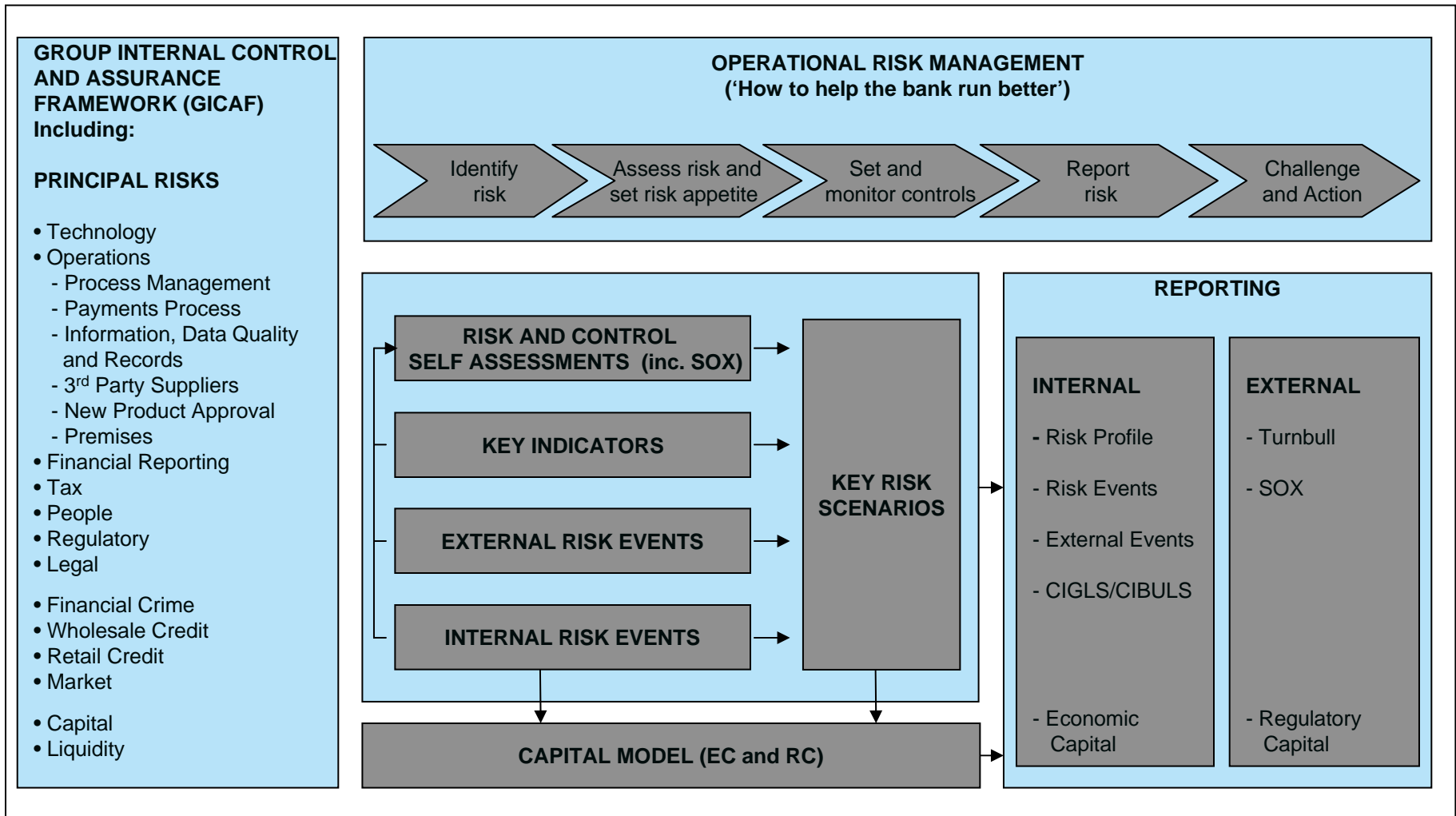
# Barclays AMA challenges

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Barclays was granted AMA by the FSA in 2007 for the Group.



**BARCLAYS INTERNAL AUDIT**  
(independent assurance)



## AMA application process involved a 'close and continuous' relationship with the FSA

### Regular Meetings:

- Business Unit ExCo
- Business OR Team
- Group Operational Risk

### Key Focus:

- Use Test
- Quality of implementation and data
- Methodology and plans

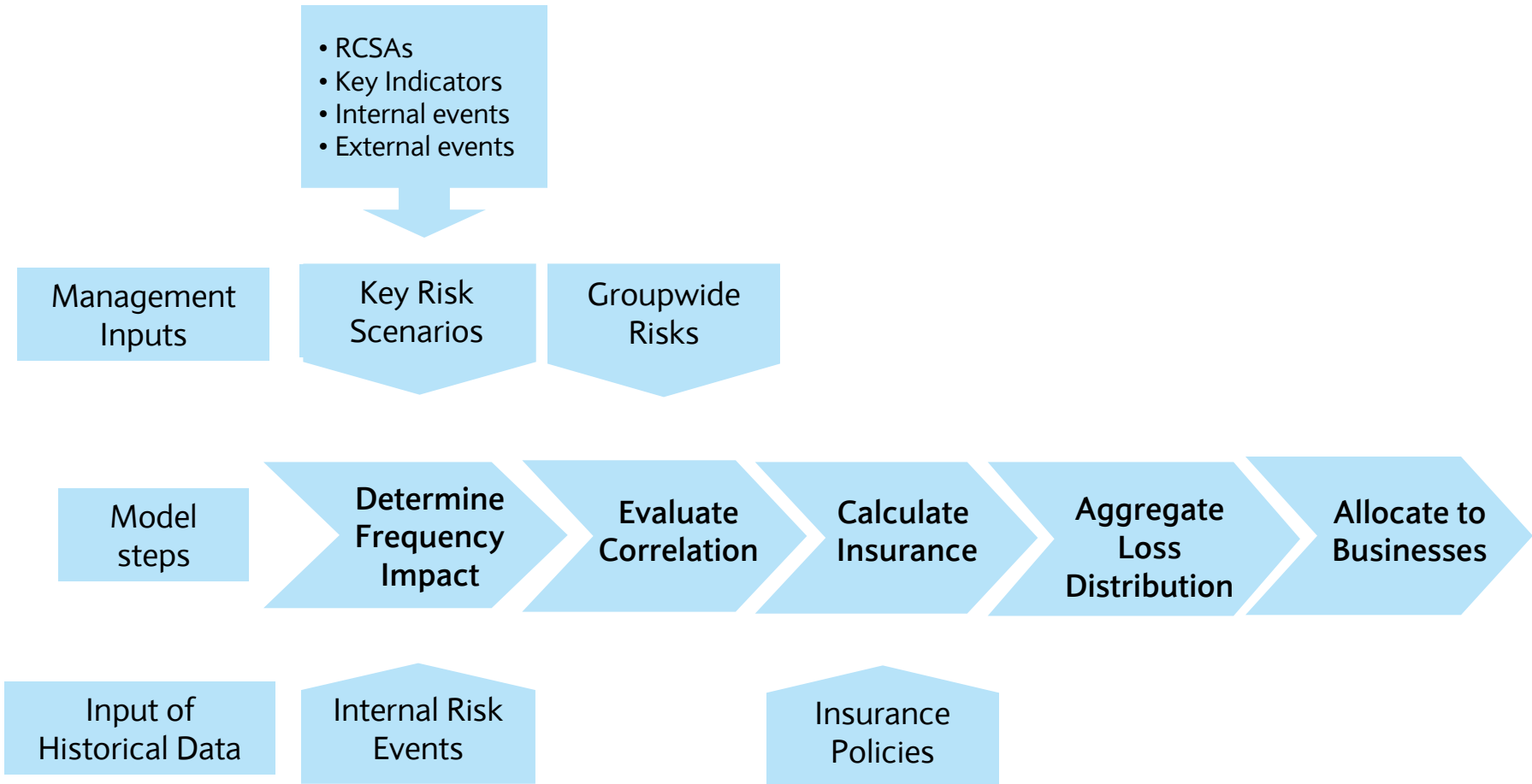
### Documentation:

- Application approx. 100 pages
- Supporting documentation





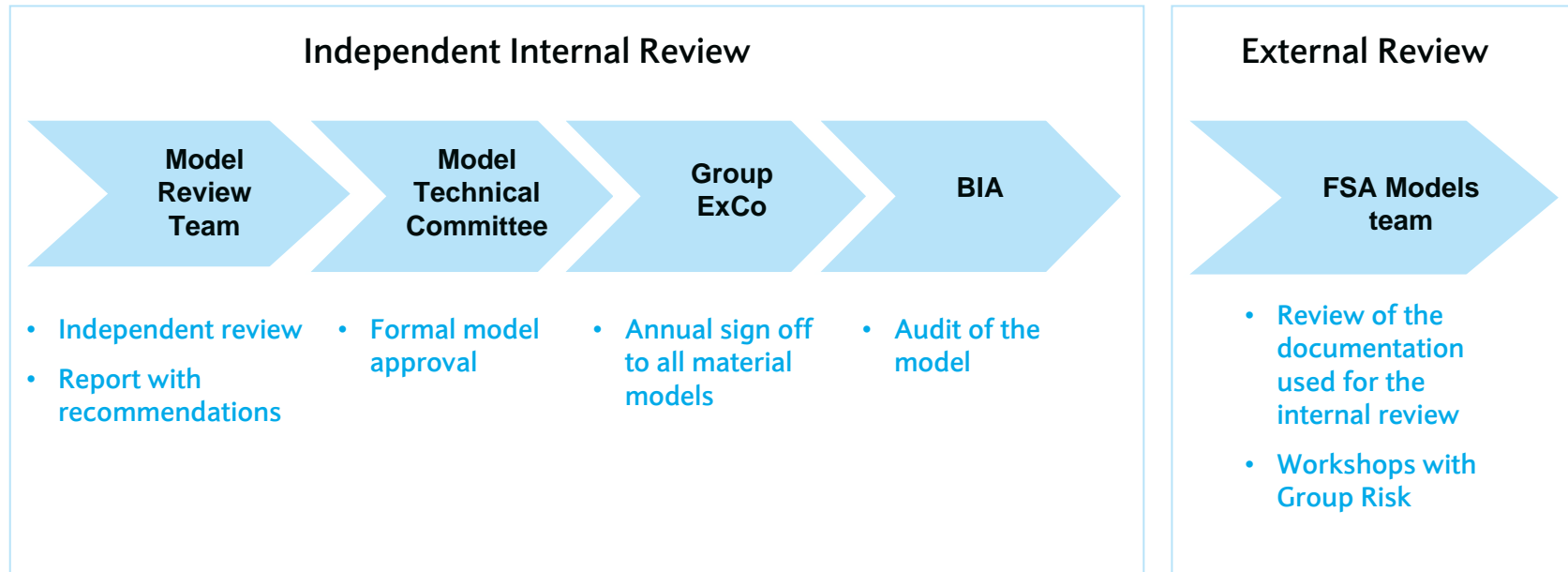
The AMA Model steps are shown below





The AMA Model has been approved by the independent Model Review Team, Barclays Internal Audit and the FSA.

### Validation of the AMA Model



### Benchmarking:

⇒ Barclays Group have benchmarked the AMA Model and its outputs with our Peer Banks



Scenarios are the main driver of Barclays AMA Model so substantial effort goes into construction and validation

Barclays Approach:

- Business Units assess the Expected Loss and Extreme Loss at 1 in 7, 1 in 20 and 1 in 100 years.
- The AMA model fits a distribution through the Extreme points and then uses an alpha to project out to the tail of the severity curve.
- Functional and Operational experts in the business are involved in the assessments.
- Clearly documented rationales are required to enable an independent review.
- Internal and external data must be included - external data is important to benchmark assessments.
- Independent validation by the Business and Group Risk.



The use test was a key focus during the application process. It is an area Barclays are enhancing.

Barclays demonstrated the use test through:

- Business Unit case studies
- FSA meeting schedule

Strengthening use test:

- Focus on management 'making the Bank run better'
- Clear link between management and measurement
- Make OR measurement more transparent and accessible



## Allocation of Capital is of key importance to Business importance to Business Units.

### Barclays Approach:

- Barclays is an Economic Capital Bank - performance is measured against Economic Profit
- Economic and Regulatory Capital supply and demand affect a Business Units ability to implement growth

### Desired Allocation Properties:

- Easy to understand
- Transparent
- Predictable
- Risk Based
- Drive good behaviour
- Fair





## Barclays is reviewing its approach to insurance



### Key challenges:

- Product coverage
- Basel compliant terms
- Capacity
- Pricing

### Action:

- Insurers trying to make products more Basel friendly
- Brokers and underwriters trying to create capacity
- Banks and industry bodies involved in discussions