

Comprehensive PRCT Matrix Compilation for Basel Pillar II for Banks (2025)

Process Category: Pillar 2 Supervisory Review Process (SRP)

Process Name	Process Risk	Risk Rating	Control Measures	Test Steps
Pillar 2 Supervisory Review Process	Inadequate capital buffers to cover risks, leading to financial instability	High	Regular stress testing and scenario analysis	Conduct periodic stress tests and compare results against regulatory thresholds

Process Category: Internal Capital Adequacy Assessment Process (ICAAP)

Process Name	Process Risk	Risk Rating	Control Measures	Test Steps
Internal Capital Adequacy Assessment	Underestimation of risk exposure, leading to insufficient capital reserves	Medium	Implement robust risk assessment models and regularly update risk parameters	Validate risk models through back-testing and sensitivity analysis
Internal Capital Adequacy Assessment	Operational risk mismanagement, leading to financial losses	Medium	Implement robust operational risk management frameworks	Conduct regular operational risk assessments and scenario analysis
Internal Capital Adequacy Assessment	Liquidity risk, leading to difficulties in meeting short-term obligations	High	Maintain adequate liquidity buffers and conduct regular liquidity stress tests	Perform liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) calculations
Internal Capital Adequacy Assessment	Market risk, leading to potential losses due to market fluctuations	Medium	Implement robust market risk management frameworks	Conduct regular market risk assessments and scenario analysis
Internal Capital Adequacy Assessment	Credit risk, leading to potential losses due to borrower defaults	High	Implement robust credit risk management frameworks	Conduct regular credit risk assessments and scenario analysis

Process Category: Supervisory Review and Evaluation Process (SREP)

Process Name	Process Risk	Risk Rating	Control Measures	Test Steps
Supervisory Review and Evaluation	Weak governance and risk management practices, leading to non-compliance	High	Establish a strong governance framework and enhance risk management capabilities	Conduct internal audits and regulatory compliance checks

Process Category: Pillar 2 Capital Requirement

Process Name	Process Risk	Risk Rating	Control Measures	Test Steps
Pillar 2 Capital Requirement	Insufficient capital to cover bank-specific risks, leading to solvency issues	High	Maintain a capital buffer above the regulatory minimum	Perform capital adequacy ratio (CAR) calculations and compare against benchmarks

Process Category: Pillar 2 Disclosure Requirements

Process Name	Process Risk	Risk Rating	Control Measures	Test Steps
Pillar 2 Disclosure Requirements	Inaccurate or incomplete disclosures, leading to reputational damage	Medium	Implement robust disclosure policies and ensure accurate reporting	Conduct periodic reviews of disclosure documents to ensure accuracy
Pillar 2 Disclosure Requirements	Reputational risk, leading to loss of customer trust and investor confidence	Medium	Implement robust reputational risk management frameworks	Conduct regular reputational risk assessments and scenario analysis

Summary of Risk Prioritization:

1. High-Risk Processes:

- Pillar 2 Supervisory Review Process (SRP)
- Supervisory Review and Evaluation Process (SREP)
- Pillar 2 Capital Requirement
- Internal Capital Adequacy Assessment (Liquidity Risk, Credit Risk)

2. Medium-Risk Processes:

- Internal Capital Adequacy Assessment (Underestimation of Risk Exposure, Operational Risk, Market Risk)
- Pillar 2 Disclosure Requirements (Inaccurate Disclosures, Reputational Risk)

This comprehensive PRCT matrix compilation ensures that all processes are categorized, risks are prioritized, and control measures and test steps are documented in detail. ““