



# IBM Performance Event 2011

Smarter Decisions. Better Results.



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# Quantifying Operational Risks and Automating Financial Disclosures for GRC

*Alan Chong*

*Senior I/T Specialist, Business Analytics*

*IBM Hong Kong*



## Governance, Risk & Compliance (GRC) capabilities for improved oversight and business performance

Bankers and Insurers are under the gun to better manage risk and compliance across the organization due to increased regulatory oversight via Dodd-Frank Financial Reform Act along with Basel III, Solvency II, S-Ox, etc. coupled with pressure to reduce losses and enable more informed risk-based decision-making in all financial services lines of business

- Complete/Integrated View of Risk exposures across LoB's, partners, suppliers
- Transparency and Trustworthiness of Risk Data
- Stress Testing/What-if Scenario Modeling
- Managing Liquidity and Capital Ratios
- Regulatory Compliance with new obligations
- Risk-Adjusted Performance Measurement



**Information Access**  
Analytics Integrity and Business Insight

**Data Quality and Governance of Information**

**Process Improvement, Automation and Rationalization**

## Why?

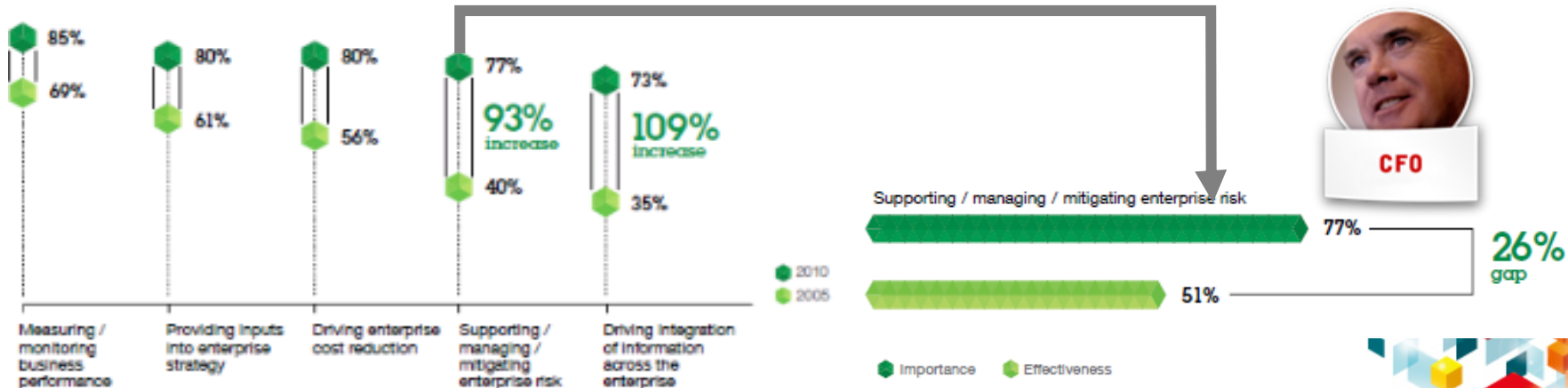
*Risk has never been a bigger challenge than in today's business environment...*

***"Enterprise GRC Platforms enable companies to gain business value out of risk management and compliance investments by integrating them with Performance Management — giving a more complete view of the business and, with the integration of risk management, a forward-looking view of how risks could impact performance."***

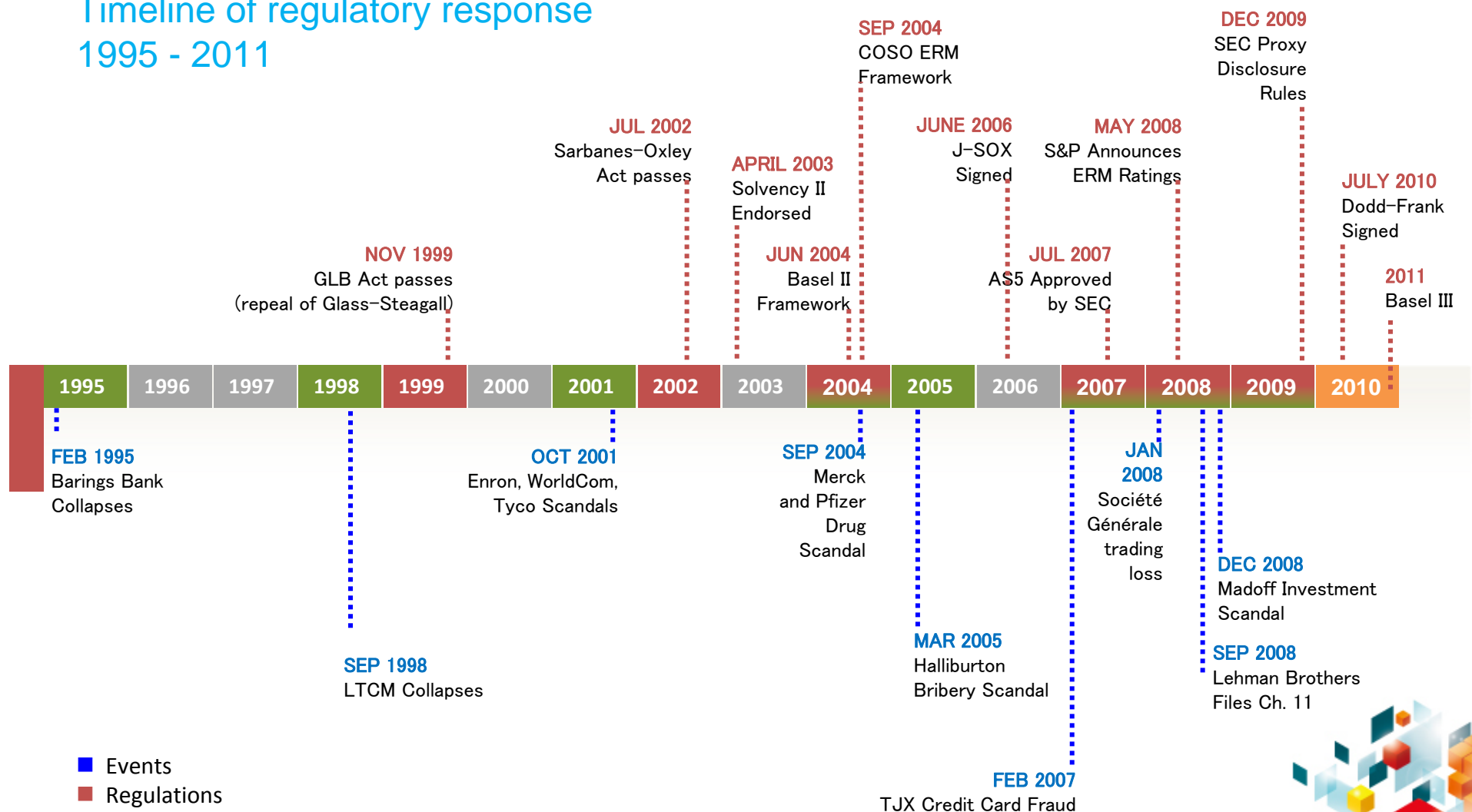
***- Gartner, 2010***

*...new regulations, globalization, increased risk and business velocity, and an explosion of information...*

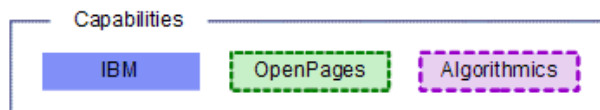
***all demand more effective compliance and risk management practices and better alignment of risk and performance management objectives for better business outcomes***



## Timeline of regulatory response 1995 - 2011



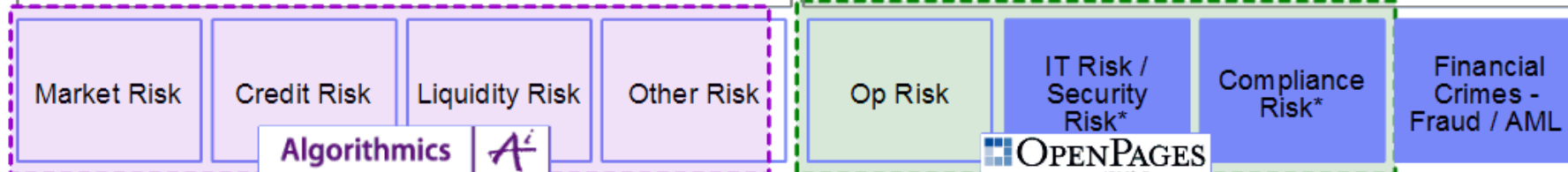
## Business Analytics Risk Management



### Integrated Risk Management

#### Financial Risk

#### Operational / IT Risk and Compliance



- Asset / Liability Management
- Exposure Management
- Market Data
- Portfolio Return Analytics

- Counterparty Credit Risk
- Basel III
- Capital Efficiency
- Risk-based Pricing
- Predictive Analytics

- Capital Calculations
- Stress-Testing
- Cycle-time for reporting
- Treasury Forecasting
- Cash Mgmt

- Financial reporting risk
- Financial Controls
- Business / reputational risk
- etc.

- Risk Control Assessments (RCSA)
- Scenario Analysis
- KRIs
- Loss Event Databases

- Information Security
- Business Continuity
- Privacy
- Data Security

- Industry compliance
- eDiscovery
- Policy Mgmt
- Legal / regulatory risk

- EFM Strategy and PMO
- GBS and ACM SW
- ISV Partners





## Definition

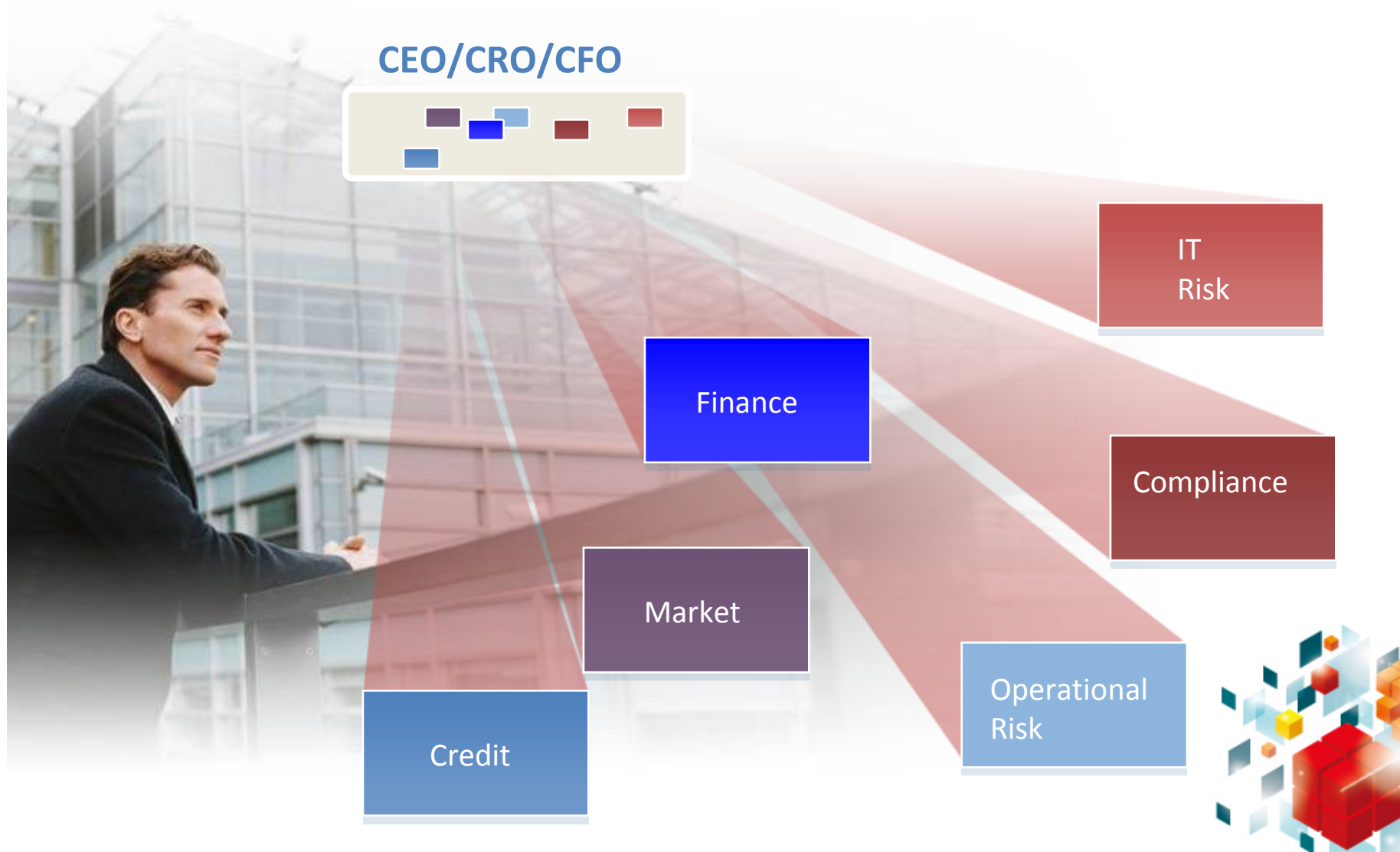
*“**Operational Risk** is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.”*



Current Direction – Best practices and Regulations are requiring Financial Services Companies to follow robust Operational Risk Management acumens and to make Operational Risk Management pervasive throughout their organizations.

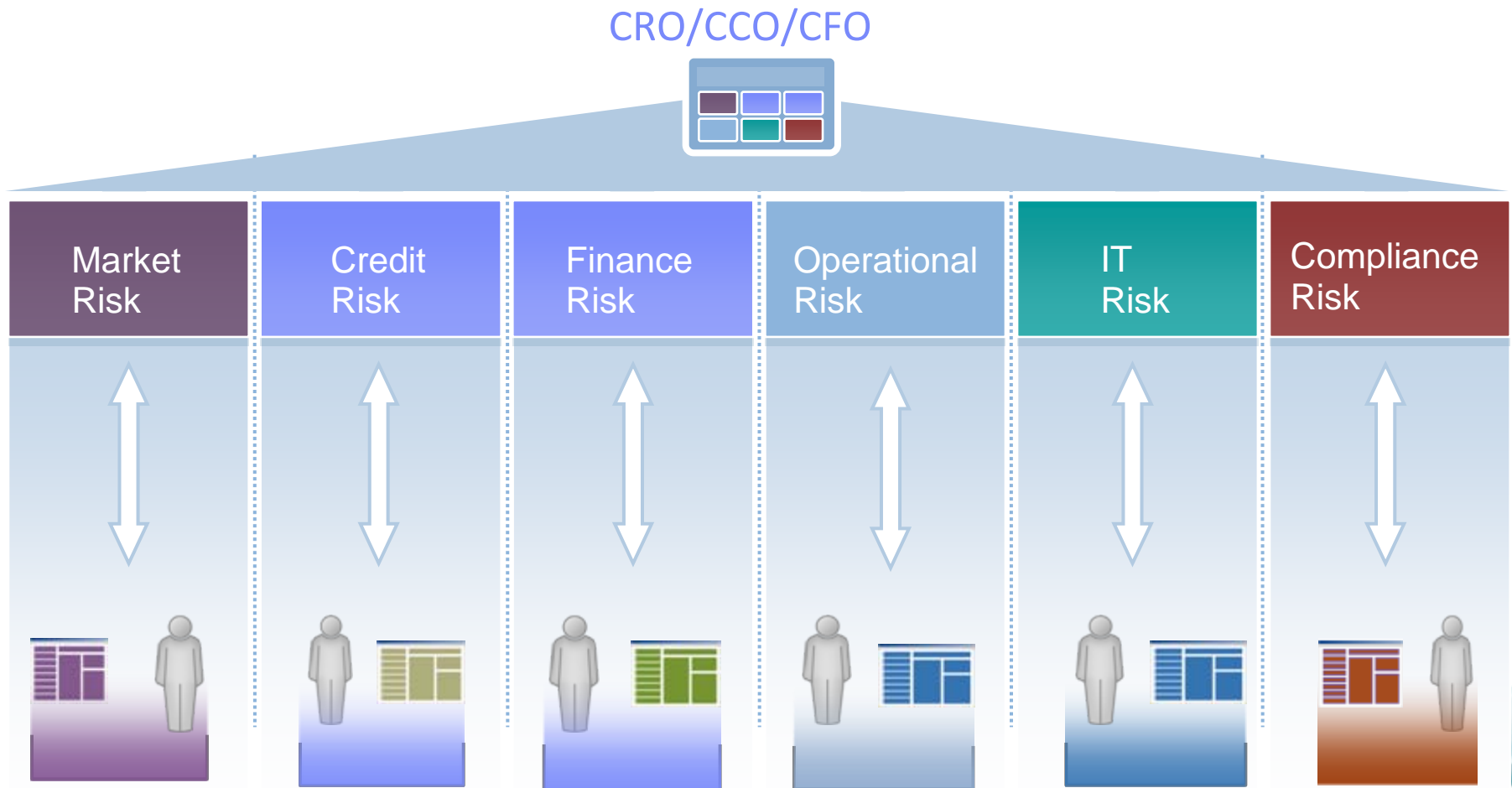


## Companies Struggle with Fragmentation of Risk and Compliance Information *and have difficulty providing transparency*

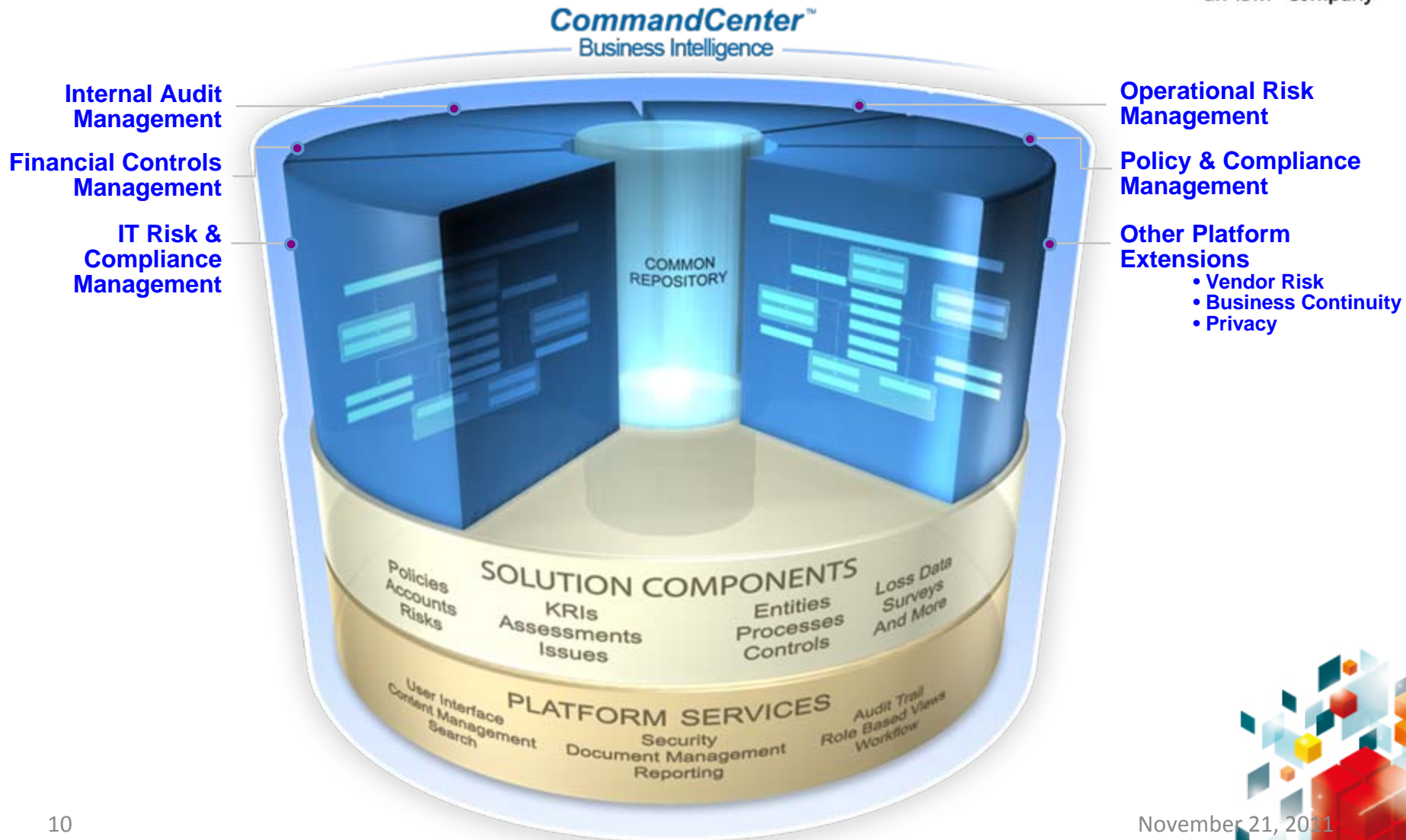




## An Integrated Approach Facilitates Transparency



## Unified Governance Platform



## OpenPages ORM

*Provides an Integrated Operational Risk Management Solution*

### Key Features

- Enterprise Operational Risk Management to identify, manage, monitor and report on operational risks across the enterprise
  - Basel II AMA
  - Board Reporting
  - Business Line decision making
- Fully integrated Operational Risk capabilities
  - Risk Control Self Assessments (RCSA)
  - Scenario Analysis
  - Key Risk Indicators (KRIs)
  - Loss Event database (Internal & External)

*OpenPages ORM dashboards deliver actionable reporting on current state of risk.*

**OpenPages ORM dashboards deliver actionable reporting on current state of risk**



### Business Benefits

- Understand and proactively manage the risks that can impact the business
- Improve Operational Risk processes by integrating key risk data (e.g. loss events with RCSA)
- Standardize risk reporting across the enterprise



## OpenPages Policy and Compliance Management (PCM)

### Sustain Compliance Across Multiple Policies and Regulatory Mandates

### Key Features

- Integrated solution for managing regulatory and policy compliance
- Assess enterprise compliance requirements at the business unit, process or local level
- Policy and procedure mgt.
- Training and communication
- Support for the regulatory certification and audit process

Executive dashboards provide visibility, control and decision support required for regulatory compliance and to optimize business performance.

**Policy Mandate Map Detail**  
Business Entity: Library  
Policy: Library/Process/Policy 2

Procedure Name	Procedure Description	Requirement Name	Requirement Description	Control Operating Effectiveness	Mandate	Sub-Mandate
Pol 1 - Procedure 1	Pol 1 - Procedure 1 Description (add additional details)	Requirement 1	Description of Requirement -1	75%	AML	AML Section 1
		Requirement 2	Requirement 2 and 3 (single) Description	100%	AML	AML Section 1
		Requirement 3	Requirement 3 Description (with sub-reqs) Description 3	100%	GLBA	GLBA Section 1
Pol 2 - Procedure 2	Pol 2 - Procedure 2 Description (audit when & how)	Requirement 4	Requirement 4 Description	100%	AML	AML Section 2
		Requirement 5	Requirement 5 Description (with feedbacks) Requirement 5 Desc	100%	GLBA	GLBA Section 4
		Requirement 6	Requirement 6 Description	100%	GLBA	GLBA Section 5
Pol 3 - Procedure 3	Pol 3 - Procedure 3 Description	Requirement 7	Requirement 7 Description	100%	AML	AML Section 2
		Requirement 8	Requirement 8 Description	100%	HPAA	HPAA Section 1

### Business Benefits

- Standardize compliance across regulations to reduce cost and deliver a holistic understanding of all compliance risk
- Provide confidence that compliance is achieved, risks are mitigated and corporate policies and procedures are enforced



## OpenPages FCM

### Market-leading Solution for Managing Financial Reporting Risk

#### Key Features

- Automated compliance lifecycle
  - Design and documentation through test, review, approval and certification
- Central repository
  - Document compliance policies and procedures, capturing full audit trails and approvals
- Issues management
  - Automate SOX control issues notification and remediation
  - Report against critical issues from dashboard
- 302 and 404 certification
  - Reduce costs and streamline efforts with OpenPages IntelliClose™ enabling progressive closing

OpenPages FCM dashboards, charts and reports deliver views on the state of financial reporting



#### Business Benefits

- Secure and centralized management of all financial compliance data
- Provides executive management with assurance into the state of compliance
- Ensures quick issue remediation





## OpenPages ITG

*Aligning IT risk and operations management with business objectives*

### Key Features

- Integrated solution for managing IT Risk and compliance
  - Assess IT risk in context of business
  - Identify key risks, controls and/or gaps
- Support for the regulatory certification and audit process
- Optimize your control environment
- Track and manage common requirements across laws, regulations, standards and policies
- Integrated with UCF, the industry's most comprehensive IT compliance database

OpenPages ITG delivers a policy-driven, process-centric way to manage IT risk and compliance.



### Business Benefits

- Manage internal IT controls and risk according to the business processes they support
- Unites multiple silos of IT risk and compliance to deliver improved visibility, better decision support, and enhanced corporate performance





## OpenPages Internal Audit Management

*Providing independent assurance to the business*

### Key Features

- Integrated solution for audit management
- Define, plan, execute and report on audits across the business
  - Track and manage audits, audit phases, workpapers and allocations
- Automate operations through fully configurable reporting and workflow
- Risk rank audit universe, configured according to the audit methodology

OpenPages Internal Audit Management enables organizations to plan, execute, report and review their audit universe.

The screenshot displays the 'Audit Overview Report' interface in OpenPages CommandCenter. The report title is 'Audit Overview Report' with a reporting period of 'Current Reporting Period' and an audit cycle of 'Global Financial Services/Cooperatieve Audit/Jan/Feb 2011'. The table below summarizes the audit findings and review status.

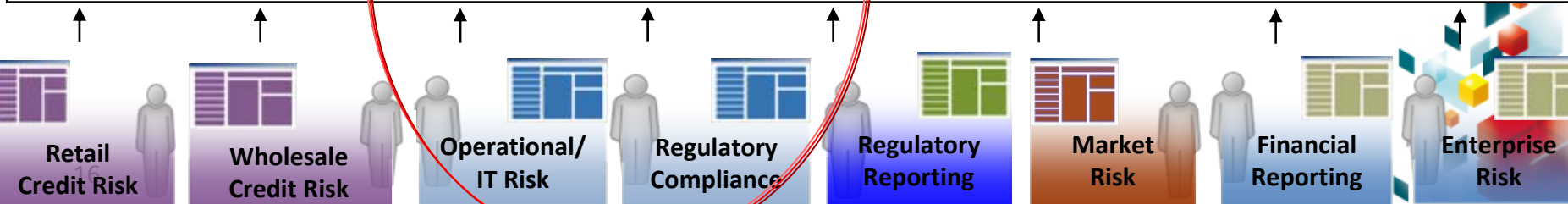
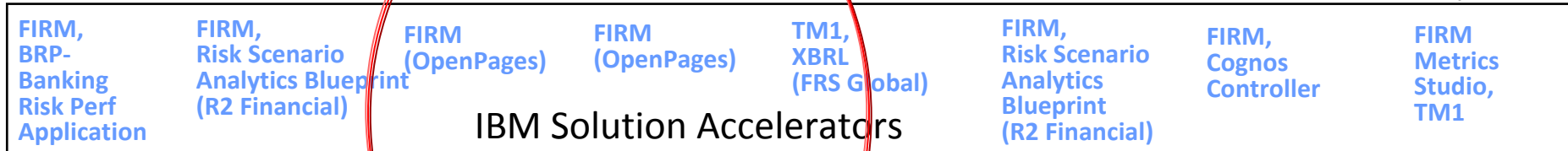
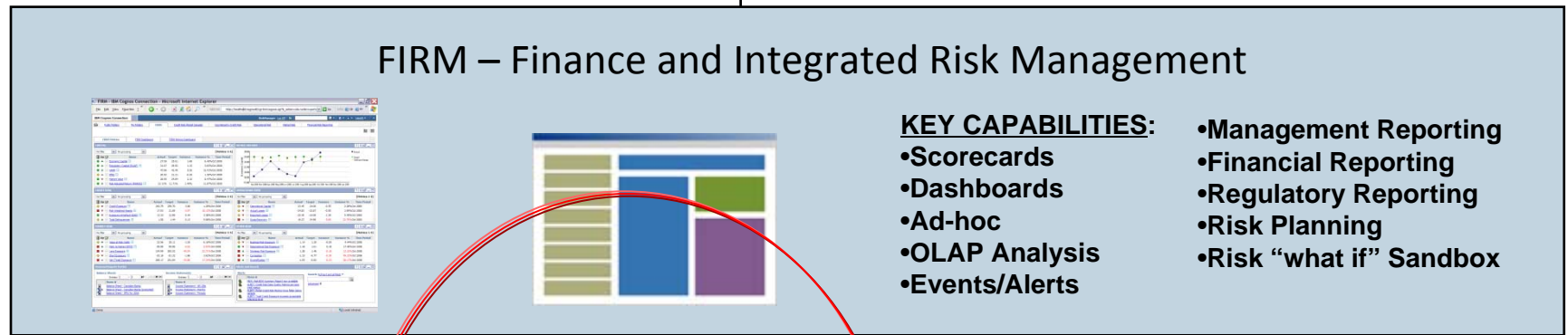
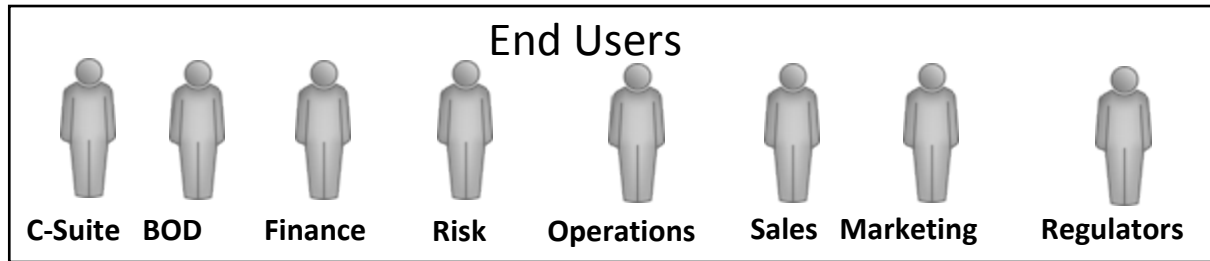
Audit	Location	Workpapers	Preparation Status	Review Status	Findings		Issues		Review Comments			
					Open	Closed	New	Closed	Entered	Accepted	Accepted/Completed	Rejected
01 - Global Financial Services			In Progress	Open	1	0	1	1	0	0	0	0
02 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
03 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
04 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
05 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
06 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
07 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
08 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
09 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
10 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
11 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
12 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
13 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
14 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
15 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
16 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
17 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
18 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
19 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0
20 - Global Financial Services			In Progress	Open	0	0	0	0	0	0	0	0

### Business Benefits

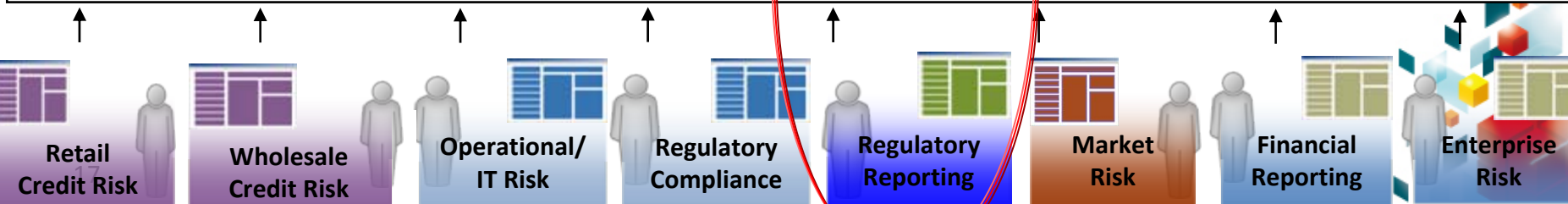
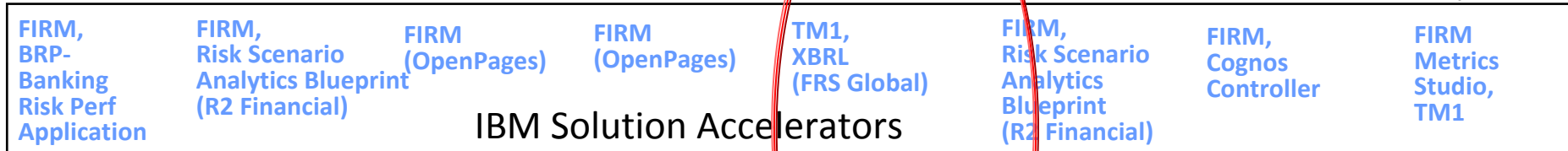
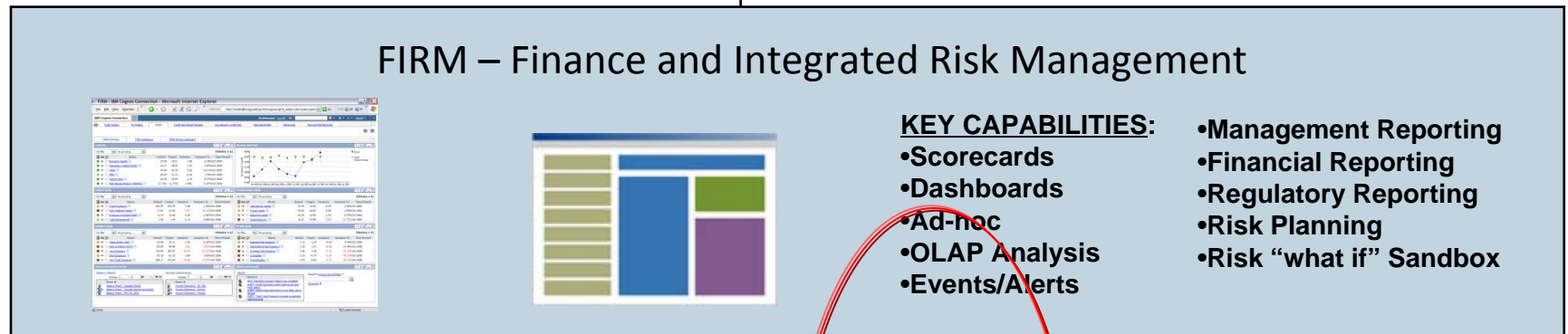
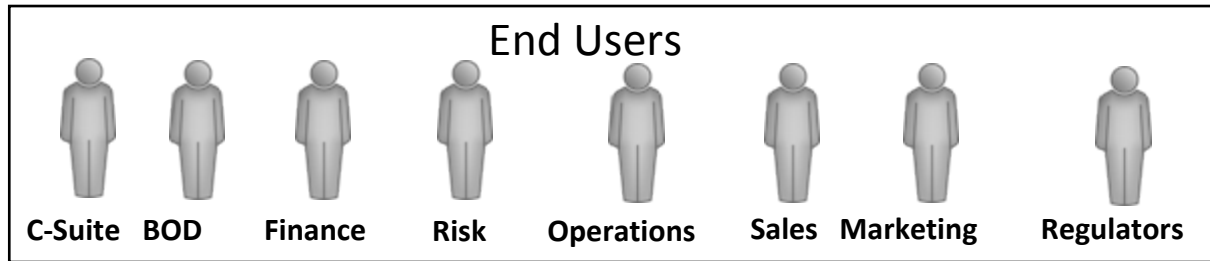
- Empowers internal audit departments to champion risk management, acting as a strategic partner to management
- Delivers an integrated, closed loop approach to risk management, driving visibility and confidence in organizational risk posture



## FIRM (Finance and Integrated Risk Management) – Solution Overview



## FIRM (Finance and Integrated Risk Management) – Solution Overview



## Organizations over-rely on personal productivity tools....

Finance over-relies on desktop applications and manual processes for reports that:



- **Integrate data from multiple sources**
  - Structured and unstructured sources from across the enterprise
- **Require collaboration**
  - Different contributors, inter-department and from other departments
  - Different areas of responsibility, and access to different data
- **Are process-driven reports**
  - Report building, editing, reviewing, approval and publishing



## ...and complex manual processes to create critical reports



### Risk Elements

- Errors in Informal data collection from multiple locations
- Lack of accuracy from re-keying similar information multiple reports
- Low productivity because of linear workflow with multiple bottlenecks
- Little or no version control
- Visibility into report status difficult
- Long reporting cycle times prevent value added analysis
- Integrity and confidence issues
- Last-minute changes are not able to be made

### Outcomes

- |                       |                       |
|-----------------------|-----------------------|
| • Financial loss      | • Loss of reputation  |
| • Legal challenges    | • Fines and penalties |
| • Loss of stock value | • Job loss            |





## IBM Clarity FSR Reduces the Risks

# 1

### Risk of Errors

Feature	Benefit
Integration to source data	No re-keying of data
Variables in text	Consistency across the report
Validation Rules	Numbers always tie-out

One version of the truth

Feature	Benefit
Security to view or edit each object	Users only see the data they are supposed to see
Workflow controls access throughout the process	Users only see data <b>when</b> they are allowed to see it

Access to information is controlled

# 3

### Risk of Insider Leaks

### Risk of Late Filing

# 2

Feature	Benefit
User prior report as a template for the next period	No need to re-apply formatting
Automatically load new data	No need to re-key data

Start reviewing the final report sooner

Feature	Benefit
Compliance Checklists	To ensure that the right steps are being followed
Audit Trail	To track who did what, and when they did it

Increased confidence in the final report

### Risk of Non-Compliance

# 4



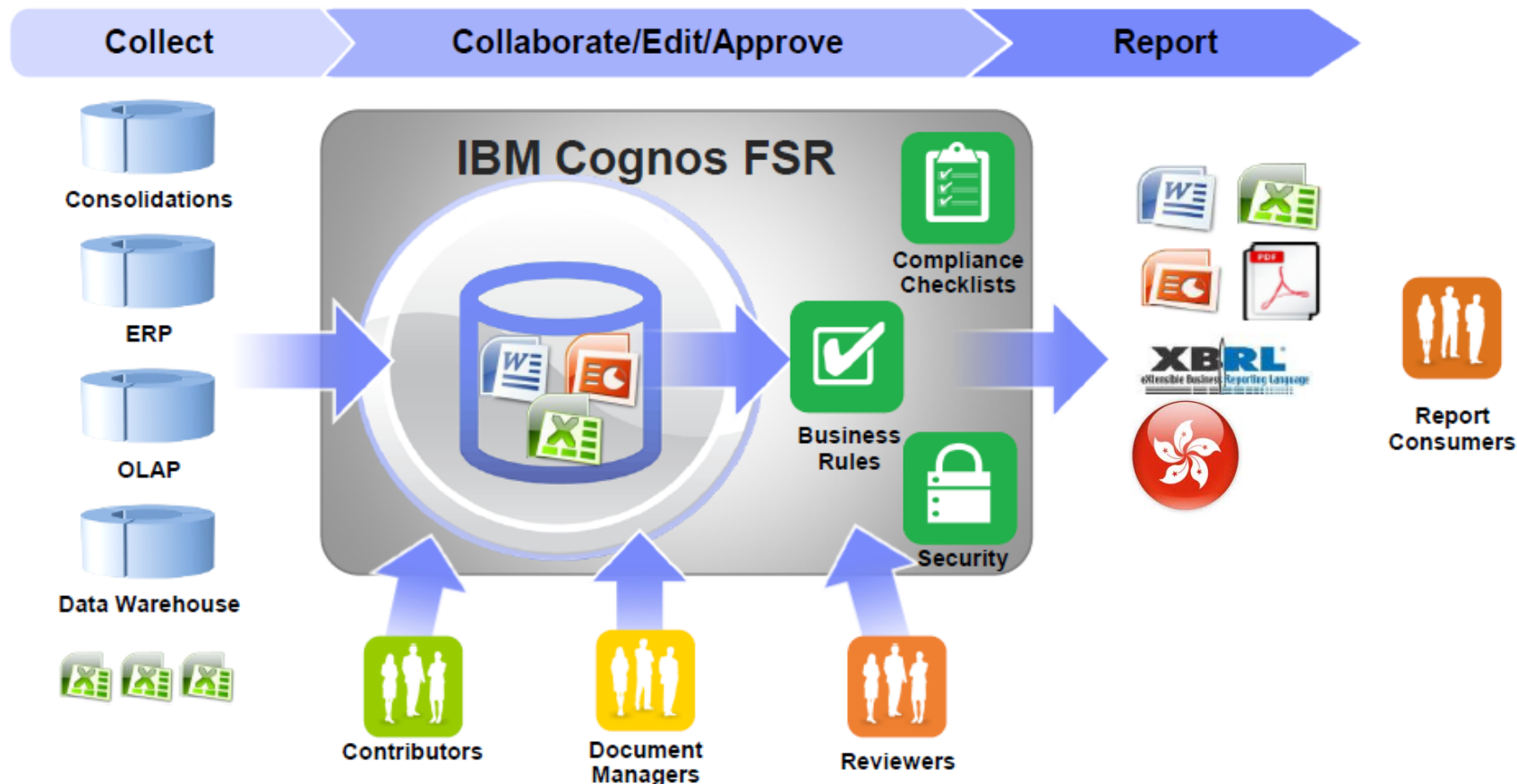


## The solution: IBM Cognos FSR

- A single, secure platform to automate and enhance controls over all management, statutory and regulatory reports
- Key features of IBM Cognos FSR
  - **Increase efficiency:**
    - Eliminate bottlenecks and automate time consuming processes
    - Enhance collaboration - allow users to work on same report at the same time
    - Integrated „Tag Once“ XBRL tagging capabilities
  - **Enhance security & accountability**
    - Embedded controls, compliance checklists, and audit trail reports
    - Workflow & task management enhance visibility into the process
  - **Integration with source data**
    - Direct integration to data sources ensures report data matches source data at all times
    - FSR’s variables allow users to change once – update everywhere in the report



## IBM Cognos FSR – how it works

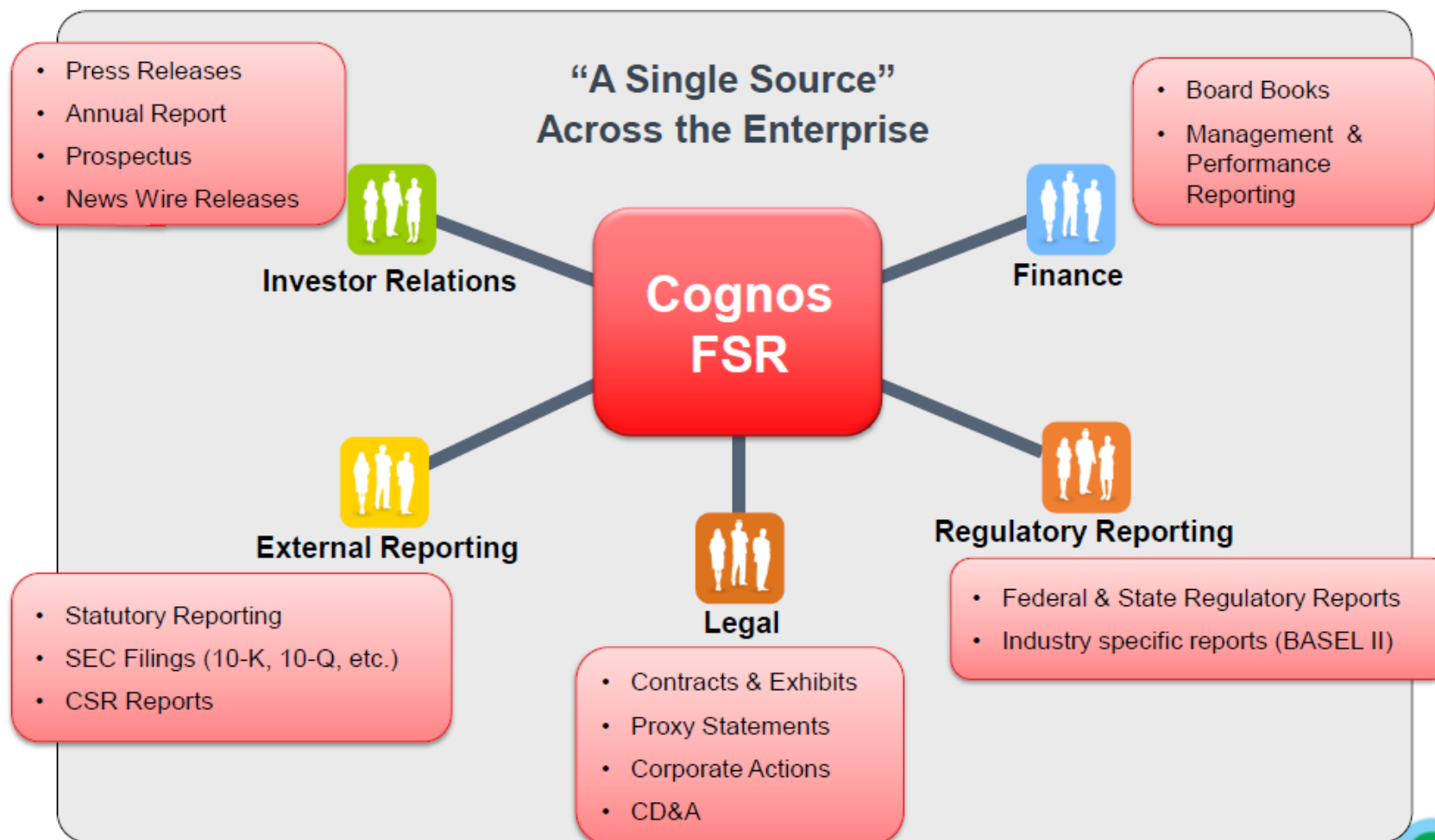


- Direct access to source data
- Driven from a central, secure database
- Leverage the tools in use: Word and Excel
- Changes dynamically updated in reports

- Powerful, collaborative environment
- Workflow and task management
- Embedded controls, security & validation
- Multiple output formats



## Sharing Information Across the Organization



## IBM - Solution for Office of Finance



Thank  
YOU



## There are huge efficiencies and business process improvement through integration



**Business Unit Process Owners**



**CFO**



**CIO**





## IBM Business Analytics & Optimization: Gain Insight, Optimize results

The diagram illustrates the IBM Business Analytics & Optimization Solutions architecture, organized into three main horizontal sections:

- Business Analytics & Optimization Solutions**
  - Industry Solutions**: Financial Services, Public, Distribution, Industrial, Communications.
  - Cross-Industry Solutions**: Finance, Human Capital, Supply Chain / Operations, Customer.
- Business Analytics**
  - Business Intelligence
  - Predictive & Advanced Analytics
  - Financial Performance & Strategy Management (marked **NEW**)
  - Governance, Risk & Compliance (marked **NEW**)
  - Analytic Applications
- Information Management and Governance**
  - Information Integration & Master Data Management (marked **NEW**)
  - Warehousing (marked **NEW**)
  - OPENPAGES** Content Management an IBM® Company
  - CLARITY SYSTEMS** an IBM® Company

**OpenPages software** helps businesses establish and maintain a comprehensive compliance and risk management process across a variety of risk domains including operational risk, financial controls management, IT risk, compliance and internal audits.

**Clarity software** enables organizations to automate the process of collecting, preparing, certifying and controlling financial statements for electronic filing, in support of mandates by the SEC (including XBRL) and other financial regulatory agencies.