

Improve your management of Risk and Compliance Processes.



Highlights

- **Deploy solution capabilities today to help you build an effective risk and compliance program**
- **Enable customizable, centralized views of your business processes**
- **Empower your organization to rapidly and cost-effectively respond to regulatory changes**
- **Help protect existing IT investment through a common, standards-based infrastructure**
- **Leverage optimized infrastructure to address new opportunities**

In the face of volatile markets, ever-increasing competition, heightened security concerns and customer demand for innovation and convenience, the way you respond to change often determines the success or failure of your financial institution.

To make matters worse, new regulations seem to be mandated at an increasing speed. Whether it's the latest directive from securities regulators like the U.S. Securities and Exchange Commission, U.K. Financial Services Authority or Japan Ministry of Finance, or cross-industry obligations coming from the Basel II Accord or the Sarbanes-Oxley Act, the rules of the game change faster than ever.

What makes it so difficult to manage your risk and compliance activities? First, the regulations vary in maturity and specificity and therefore require

interpretation. Then this legal interpretation must be translated into a set of business rules. Finally, these business rules get distilled into process changes and requirements describing what the line of business (LOB) and IT teams need to do.

The legacy IT application (process and data) silos that most firms have compound the problem. Typical IT environments have data sources, user interfaces and applications duplicated across financial instruments and geographic markets. Often, there is no way to gain enterprise-wide visibility across these resources.

Without a big-picture view of positions, risks, internal processes and customer data, it is difficult or impossible to effectively mitigate risk and manage regulatory compliance. Today's regulations increasingly

IBM was voted “Best Financial Markets Middleware 2003” by Waters magazine.

transcend LOBs and require changes in behavior at the enterprise level. For example, Basel II requires an enterprise view of risk. Sarbanes-Oxley requires an enterprise view of business controls and financial reporting. To comply with this type of regulation, firms need to deal with the complexity of integrating business processes and IT across their enterprises.

Ad hoc processes for dealing with risk and compliance are increasingly expensive and lead to inefficient—and redundant—use of time and resources. Compliance costs can have a direct and significant impact on a firm’s bottom line, and compliance efforts absorb an increasing amount of time and energy from LOB leaders. Firms that deal with regulatory matters in a competent and efficient manner can gain a premium position and a long-term competitive advantage.

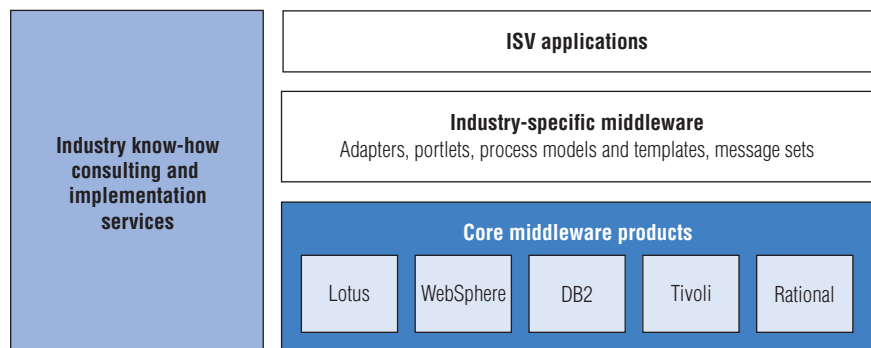
Finally, the lack of proper business controls has always had the potential to lead to visible consequences like fines and sometimes staggering

trading losses. However, in today’s environment the damage to corporate reputations from even minor lapses can be even more costly because it can harm institutional and retail relationships and erode customer confidence. With the increased focus on firms’ principals to guarantee compliance, the stakes have never been higher.

Financial markets firms need a business and IT strategy to support their compliance efforts today—with a minimal impact to the bottom line and with the flexibility and competence to adapt to future regulatory demands. To achieve this, they need an IT infrastructure designed to enable a flexible and adaptable response in the face of their changing business goals and compliance needs.

The IBM answer for an adaptive infrastructure

To help you address risk and compliance issues today while building future IT flexibility and adaptability, IBM offers the IBM Middleware Solution for Financial Markets Risk and Compliance. This solution is one of IBM’s middleware solutions tailored to help financial markets firms address their toughest business and IT challenges. IBM Middleware Solutions are customized combinations of IBM core middleware and industry-specific middleware that, when combined with application software from IBM’s network of independent software vendor partners and industry-specific services, enable customers to build an on demand operating environment.



Overview of an IBM middleware solution

“With this solution, we can provide the appropriate level of information at any time on any given day. Not only do the auditors get all the information about credit risk that they need from one repository, but they are also able to zero in on critical decision-making information by analyzing risk online. This has decreased the time these exercises require from days to minutes.”

Heinz Schoettler
Department Director, Information
Technology, Credit and Risk
Systems, Reporting
Dresdner Bank

With the IBM Middleware Solution for Financial Markets Risk and Compliance, you have the software framework to help you meet the demands of today's regulatory and risk management environment. IBM Business Consulting Services, with its deep industry expertise in risk and compliance, can support planning, designing and integrating this solution.

Built on open standards to allow freedom of platform choice and interoperability while helping you preserve

your investment, the IBM Middleware Solution for Financial Markets Risk and Compliance permits flexible deployment to align your technology with your unique compliance challenges. For example, you may deploy components today to help address the challenges of Basel II and later use some of those same components and data to help address requirements associated with the Sarbanes-Oxley Act. Components you deploy now to help address risk and compliance issues can later serve as the foundation for efforts in other areas of your business.

Drive on demand business with the IBM Middleware Solution for Financial Markets Risk and Compliance

An on demand financial institution is an enterprise whose business processes, integrated end to end across the company and with key partners, suppliers and customers, can respond with flexibility and speed to any customer demand, market opportunity or external threat. A technology infrastructure that supports a company's on demand initiatives requires an evolutionary approach that uses existing technologies within IT environments to leverage and extract immediate value and benefits to the business. IBM calls

this technology infrastructure an on demand operating environment.

On demand capabilities of this powerful solution can help your business:

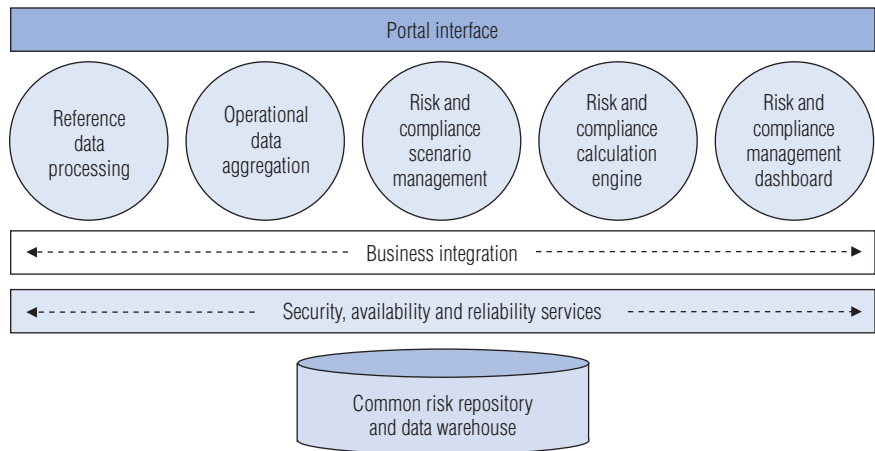
- **Integrate information** – Use IBM DB2® software to manage data and content access across, and beyond, the enterprise. Collect critical information such as:
 - Credit, market and operational risk data.
 - Payer information and large deposits.
 - Information needed to create research reports.
 - Financial controls.Collecting this information across your organization can provide the foundation for risk calculations and supervisory review. You also can archive key compliance information based on specified retention periods.
- **Analyze information** – Capture information in a DB2 data warehouse and analyze information to increase the speed and accuracy of decision making. Enable enterprise-wide visibility of risk and compliance activities with timely access to information and reports. Archive reports.

- **Integrate processes** – Leverage IBM WebSphere® software to integrate existing applications, processes and services, and extend them to trading partners and customers. Monitor your business activities to help you minimize risk and enhance controls. Automate and track interaction with vested parties to help address risk and compliance issues. Manage your compliance against key metrics to proactively respond to dynamic conditions by revising processes or dynamically allocating IT resources.
- **Perform business modeling** – Graphically design and model risk management and regulatory compliance processes. Use WebSphere software to speed creation and implementation of common risk processes shared by business and IT.
- **Access and collaborate** – Use WebSphere and IBM Lotus® software capabilities to create common user experiences in the development of your risk management and regulatory compliance programs, consisting of a single, personalized point of interaction to applications, processes and information. Collaborate and communicate with employees, customers and trading partners. Optimize communication and sharing

of information when responding to risk and compliance issues. Facilitate employee education with automated distribution of training materials. Provide an integrated development environment to transform applications, processes and data. Minimize development costs and time to market for new solutions.

- **Optimization, availability and security** – Make productive use of resources involved in compute-intensive risk and compliance processing with IBM Tivoli® software capabilities. Help protect the integrity of managed compliance business processes by verifying the health, function and security of the critical infrastructure.

The IBM Middleware Solution for Financial Markets Risk and Compliance can be extended with the IBM Software Development Platform — a comprehensive, proven, open and modular set of tools that helps you build, integrate, extend, modernize and deploy the software systems that impact your compliance processes. The IBM Software Development Platform includes IBM Rational® and IBM WebSphere Studio software, which provide an agile environment to help you address the compliance issues within the software development life cycle.



Conceptual architecture of the IBM Middleware Solution for Financial Markets Risk and Compliance

Solution capabilities

The capabilities of the IBM Middleware Solution for Financial Markets Risk and Compliance can help you:

Optimize financial management controls and processes such as those mandated by Sarbanes-Oxley Act 404

- *Organize and document control activities, disseminate information, gather information required to help evaluate risk and monitor the internal control system*
- *Centralize document management, collaboration, training and records management functions in an integrated single repository*
- *Track and trace mandate requirements throughout development and testing*
- *Enhance security protection with privacy policies*

Archive, retain and supervise data such as that regulated by SEC 17a-4, NASD 3010/3110 and Data Protection Act

- *Secure long-term archival and retrieval of e-mail, instant messages, attachments and other formats (includes audit trails for both retrieval and disposition)*

- *Support the compliance life cycle (capture, analyze, store, retain and retrieve) for business-critical content and correspondence*
- *Attain supervisory controls and litigation support*

Optimize your business controls around the creation of investment research in a manner consistent with NASD 2711, NYSE 472 and FSA-CP171/205

- *Optimize research productivity, enable access to and reuse of research materials and speed delivery of investment research reports*
- *Create world-class global and cross-discipline reports around defined business processes*

Enhance your risk management to support your Basel II initiatives

- *Leverage an existing data warehouse or provide comprehensive financial services data models for building one*
- *Extract and cleanse data to achieve a consistent, comprehensive view of data needed for risk calculations, reporting and analysis*
- *Use production regulatory reports, online analytical processing (OLAP) capabilities and data mining to help address Basel II requirements and leverage data*

- *Achieve an agile development environment to support new compliance and supplements*

Know your customer and help prevent money laundering to support your efforts around FATF, FSA Money Laundering Rules, Patriot Act, Bank Secrecy Act and OFAC

- *Gather and normalize data from disparate systems across LOBs*
- *Monitor trading and transfer applications and data for suspicious activity and investigate problem transactions with managed business processes*

Draw on IBM services for integration and customization

IBM offers a wide breadth of service capabilities. Resources include:

- *IBM Business Consulting Services, with thousands of financial services practitioners*
 - *Strategy*
 - *Integration services*
 - *Business process re-engineering*
 - *Component business modeling*
- *IBM Financial Services Solution Centre*
- *IBM Software Services*
- *IBM Global Services Business Transformation Outsourcing*



**IBM Business Partner applications
for financial markets complement
the solution**

The IBM Middleware Solution for Financial Markets Risk and Compliance leverages select applications from industry-leading ISVs to provide comprehensive solutions. IBM Business Partners provide industry-specific business applications enabled for IBM middleware and platforms. Examples include applications for broker and trader surveillance, credit risk management, anti-money-laundering monitoring and reporting, and “know your customer” capabilities.

For more information

For middleware solutions that can help you effectively manage risk and compliance programs across your enterprise, count on IBM. To learn more about the IBM Middleware Solution for Financial Markets Risk and Compliance and other financial markets solutions, call your sales representative or visit ibm.com/software/industries/financialmkts

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