IBM

Manage enterprise risk and compliance efforts effectively to support bank initiatives.

Highlights

- Create a holistic view of risk and leverage robust analysis tools to take intelligent action

- Help prevent fraud through innovative identity resolution and identification of suspicious relationships

- Establish an adaptive, sustainable management platform for business control management

- Help enhance records retention and management to address compliance challenges

- Drive risk and compliance management capabilities into the development of new business systems

A formidable challenge

With each passing month, banks are facing increased pressure to optimize their risk and compliance efforts enterprise wide. New regulations worldwide are an obvious source of pressure, but every bank is interested in understanding and mitigating all its sources of risk — including operational, market and credit risks.

The key is gaining an enterprise-wide view of risk — financial positions, liquidity risk, credit risk, market risk, operational risk, internal processes and customer data — throughout the enterprise. Ad hoc risk management efforts use IT infrastructure and staff time inefficiently — and are far too expensive. When an enterprise-wide solution is deployed to facilitate establishing, tracking and managing controls, it should not merely address one particular regulatory compliance effort. Instead, choose a solution that gives your bank the tools to help manage a wide spectrum of risks and regulation compliance efforts, plus the ability to evolve with the ways regulatory standards change over time.

To help minimize risk and maximize efforts to comply with both regulations and business policies, a bank

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also needs to protect the security and privacy of its systems and information. It should control user access consistently across organizational divisions. The bank should protect itself from external threats — such as virus and denial-of-service attacks — to reduce operational risks. And it should improve the ways it archives financial reporting and operational data, while enabling simplified data retrieval for auditing purposes.

Additionally, banks are seeking ways to enable their application development teams to support risk and compliance efforts and to incorporate risk mitigation from the onset of a development project. A complete risk and compliance management solution helps a bank monitor system requirements throughout the development process so that business requirements that address regulatory obligations are supported — every step of the way.

The combination of these extensive requirements represents a daunting task for any bank. But as the following pages show, you can find help to address these challenges.

Leverage IBM's banking industry expertise to transform your risk and compliance managment efforts

IBM solutions for the banking industry bring together the extensive IBM portfolio of hardware, software and high-value services — and its wide network of Business Partners — to address the most prevalent challenges for clients in the industry. IBM solutions and banking industry experience help each client accelerate its progress in becoming an On Demand Business — so it can respond with flexibility and speed to virtually any customer demand, market opportunity or external threat.

Creating business processes with a *service orientation* has emerged as the best way to achieve that flexibility and speed, as well as agility and resilience. Service orientation takes everyday business applications and breaks them into individual business tasks, called services. These services can then be shared with other departments within your company, integrated with your trading partners and exposed directly to customers to create new or modified business processes. As a result, you

have the flexibility to easily respond to changing market requirements. And because these services can tie together existing enterprise resource planning (ERP), human resources (HR), customer relationship management (CRM) and supply chain systems from leading vendors such as SAP, Oracle, Siebel and JD Edwards, there is no "rip and replace" required. Furthermore, these services can be used across multiple processes — rapidly, easily and consistently — to help drive improved time to value and reduced costs.

IBM software, a key building block of the IBM solutions for the banking industry, is vital to employing a service orientation strategy. It helps our clients achieve business flexibility by enabling them to model, assemble, deploy and manage business processes for today's on demand business environment.

With IBM software for banking risk and compliance management, your bank can implement a common infrastructure of repositories and tools that you can use to target a variety of areas related to risk and compliance initiatives.

Analyze and manage risk by drawing on enterprise-wide data

The information that is critical to the analysis, management and reporting of risk is often distributed across numerous locations and media — and can be hard to tap into. An example is operational risk data, which could provide insights into how well your processes can support your financial institution's changing demands. As banks pursue management require-ments such as those reflected in Basel II, many are uncovering gaps in capabilities to monitor and manage operational risk. But if your bank can understand and address operational risk effectively, it reinforces its ability to flexibly make the most of new business opportunities.

Because risk management efforts start with the management and aggrega-tion of critical enterprise data, IBM WebSphere® Information Integration software facilitates the discovery, preparation and movement of data into a data warehouse. Your bank can also use the IBM Banking Data Warehouse to collect and organize credit, market

and operational risk data from across the enterprise. IBM's banking-specific components and templates help orga-nize bank activities. Additionally, IBM WebSphere Customer Center provides a complete and accurate customer profile management capability to help you address regulation requirements cost-effectively.

Along with offering consolidated data, other IBM software components support a variety of risk analysis and prevention initiatives. Examples include credit and operational risk analysis.

Prevent fraud at key control points

The sophistication and frequency of fraud perpetration continues to increase. Knowing customers is crucial for banks that want to:

- Minimize identity theft.
- Reduce access to systems and information of people on "watch lists."
- Protect their reputations.
- Minimize operational risk.
- Proactively avoid legal risks.
- Identify and restrict undesirable credit concentrations.

IBM Entity Analytic Solutions technology, a component of IBM software for banking risk and compliance management, brings new levels of accuracy to identity and relationship resolution. By drawing on information from throughout an enterprise — from IBM and non-IBM–based data sources — one unique identity for each customer can be established. Your bank can discover both obvious and nonobvious relationships between customers, vendors and employees — plus do it all anonymously, to meet the data owner's data privacy policies — and in real time.

An example of one growing identity-resolution requirement is the need to provide electronic "trip wires" that detect the use of invented or stolen identities — and thereby help minimize the financial and operational losses that can result. Incidences of "phishing" and identity theft continue to grow, despite the best efforts of banks to train customers to spot potential identity theft traps.

While not every identity theft incident can be prevented, it is critically important that banks act responsively to

minimize financial losses when fraud has been detected. IBM Tivoli® security management software helps banks:

- Quickly shut down customer account access to keep funds from being improperly withdrawn.
- Audit account log histories to facilitate identity theft investigations.
- Automate the process of creating and managing new customer accounts.

These responsive actions help minimize the damage done when identity theft occurs and maximize customer satisfaction.

Another type of fraud that banks can use identity resolution to help address is money laundering. Banks and their executives face the threats of multimillion-dollar fines and jail time if they cannot protect against money laundering. IBM software for risk and compliance management helps:

- Define the suspicious relationships, leveraging information from within an organization and from government agencies.
- Establish and apply management rules to a large repository of banking data, using the data analysis capabilities provided by IBM Business Partners.

Facilitate compliance efforts while driving staff productivity

Too many banks concentrate on complying with a single regulation. When regulations change and new ones emerge, these banks have difficulty leveraging the compliance work they've already done.

Alternatively, your bank can establish a platform and organized approach for gathering information about all business controls — including those for financial reporting. The benefit is your ability to adapt readily to the changing set of legislation, regulations, industry accords and internal policies and controls you must address. IBM software for banking includes IBM Workplace™ for Business Controls and Reporting, which can be used to manage the controls required for a wide variety of legislation, regulations and internal policies.

IBM Workplace for Business Controls and Reporting helps document the processes and objectives around a particular regulation. Then it helps you identify risks so you can establish appropriate controls. And evaluate their effectiveness. Personalized dashboards

and robust reporting capabilities provide executives with visibility into — and real-time information about — compliance efforts.

Another compliance management challenge is the management of long-term archival and retrieval of records in a security-rich fashion. A bank must consistently control, retain and dispose of e-mail, instant messages, attachments and other records-class content that is distributed across the enterprise. In response, IBM Federated Records Management — a unique, scalable solution — helps a bank manage records distributed across multiple, disparate content management repositories. At the same time, it helps minimize the burdens on storage infrastructure and IT administrators.

To augment this solution, your bank can leverage Tivoli storage management software to automate the archiving of financial reporting, risk and operational data — and then make it simple to retrieve this data for audit purposes.

Protect information security and privacy
The number and sophistication of threats to bank and personal information are

on the rise. So are the government and corporate requirements to protect the security and privacy of regulated data, corporate private data and personal private information.

As a result of these trends, the challenges for a bank also grow. Access to systems and business information is increasingly difficult to control. Banks must protect the privacy of client information exchanged not only within the bank, but also with outside suppliers — and be able to prove this protection. For example, when customers want to access financial account and product information through their employers' corporate intranets, banks must be able to deliver it in a security-rich fashion.

If your bank can establish an infrastructure that can adapt, in a policy-driven way, to these demands, you help improve the resilience of the bank, the productivity of its staff and its abilities to both comply with regulations and prove this compliance.

IBM software for banking risk and compliance management includes a wide range of Tivoli infrastructure

management software to help maximize the protection of systems and data. This software is dynamically driven by policies your bank sets. You can use the software to help you:

- Provide policy-based user identity management and access management.
- Manage privacy of information within the guidelines established in corporate policies.
- Automatically identify and remediate out-of-compliance corporate systems.
- Automate the policy-based backup and recovery of mission-critical information.

Enable application development teams to support risk and compliance efforts
When your bank builds new systems, they should inherently support risk and compliance management. Existing systems may need new capabilities and access to shared services to augment their capabilities to manage risk and compliance. If your bank can drive these capabilities into both new and existing systems in an automated way that can be shared and reused, you can benefit from flexible systems that are self-adjusting and proactively self-managed.

That's why the IBM Rational® Software Development Platform is designed to help your organization revise, extend, preserve, migrate, integrate and build applications in ways that facilitate risk and compliance management:

- Implement complete requirements tracking:
  - Collect system requirements.
  - Use visual models to establish associations with business needs and regulatory mandates.
  - Establish a rigorous test plan for each requirement.
- Protect against unwarranted changes to code by leveraging change-management tools that maximize code integrity throughout development.
- Leverage common access to development assets, communication alerts and workflow processes to automate project documentation and create auditing records that can be used during regular project assessments.

The IBM Rational Software Development Platform includes IBM Rational and IBM WebSphere Studio software, a shared set of proven best practices and industry-leading services.

Business Partners help further leverage IBM software capabilities

IBM software for banking risk and compliance management is complemented by applications and services provided by our IBM Business Partners—including the hundreds of Business Partners specializing in service orientation—helping to make this solution a world-class foundation for successful management of a wide range of risks and regulations. Working together with our clients, IBM and IBM Business Partners can help meet the needs of today's banks.

For more information

IBM is unique in its combination of unmatched banking industry experience, deep service orientation skills, unparalleled Business Partner network, and software and technology product excellence—and as a result is a clear leader in service orientation. We can help you get started with service orientation, whether for the enterprise, a departmental initiative or a single project. IBM is the ideal resource for banks seeking to meet the challenges relating to risk management, fraud prevention and identity theft.

To learn more about IBM software for banking risk and compliance management and other banking industry–specific offerings, contact your IBM representative or IBM Business Partner, or visit **ibm.com**/software/industries/banking