

Business Consulting Services

Risk & Compliance –
Current issues and challenges
an introduction

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Four domains where Banks are facing issues

CFOs
Chief Risk Officers
COOs
Head of business lines

- 1. To understand the changes required and justify the corresponding investments
- 2. To deliver benefits to the rest of the organisation and optimise the use of their scarce resources
- 3. To design and implement an integrated data management strategy for risk and compliance
- 4. To accelerate the implementation of the transformation

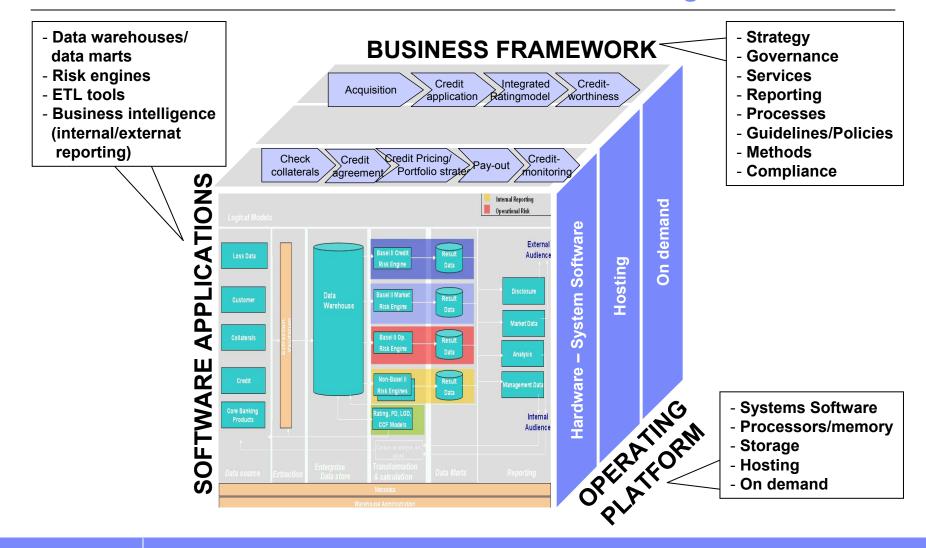
Transformation

Data management

Implementation



The three dimensions of current issues and challenges in Banks





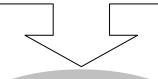
Increasing internal and external requirements and pressure towards improved performance will change the role of risk management

As-is

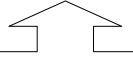
- Silo-based organisation
- Methods and processes on bank level not consistent
- Risk reporting not sufficiently consolidated
- Uneven data availability
- Heterogenous risk management systems

- Inefficient reporting / processes
- Reconciliation efforts
- Inadequate management info
- Insufficient data consistency

- Regulatory requirements
- Disclosure requirements
- Cost pressure
- Competition



Optimization recommendable



- Improved standardisation in risk management
- Risk controlling / management as part of daily business

To-be

- Integrated risk management
 - across all risk types
 - processes, methodology, reporting, systems
 - Integration of internal and external reporting
 - Centralised data management
- Standardisation of processes
- Simplification and integration of risk IT



Banks are not focusing only on pure compliance but also an value creation

Risk

Protection

Risk /

Value creation

Reward

Business benefits

- Regulatory capital savings
- Economic security
- Compliance cost avoidance
- Reputation

Aligning economic and regulatory capital (Basel II)

Capital

- Complying with regulatory policies (SOX, AML, Fraud)
- Setting up risk limits, risk appetite and provisional policies
- Calculating risk exposures
- Determining business process controls and monitoring

Regulators, Debt holders' perspective

Using risk for strategic planning processes

- Risk adjusted pricing
- Risk adjusted capital allocation
- Risk adjusted performance management
- Active portfolio credit risk management
- Risk adjusted customer value management

Shareholders' perspective

Business benefits

- Bad debt ratio improvement
- Increased profitability
- Improve operational efficiency
- Increase competitive advantage by identifying "good" and "bad" deals
- Improve strategic decision making by evaluating activities and customers that are creating or destroying value