

## ***Using an Enterprise Governance, Risk & Compliance (GRC) Platform to Improve Risk and Compliance Initiatives***

---

Pierre Lommerse

Sales lead Benelux

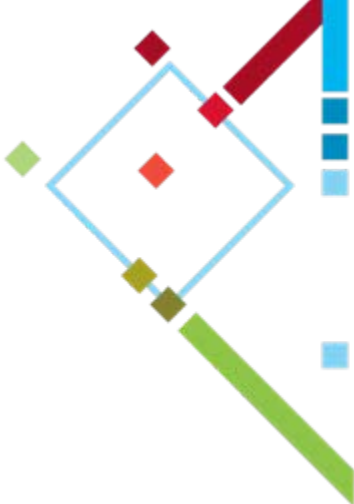
Governance Risk & Compliance



# IBM Finance Forum 2011

Anticipate and shape business outcomes

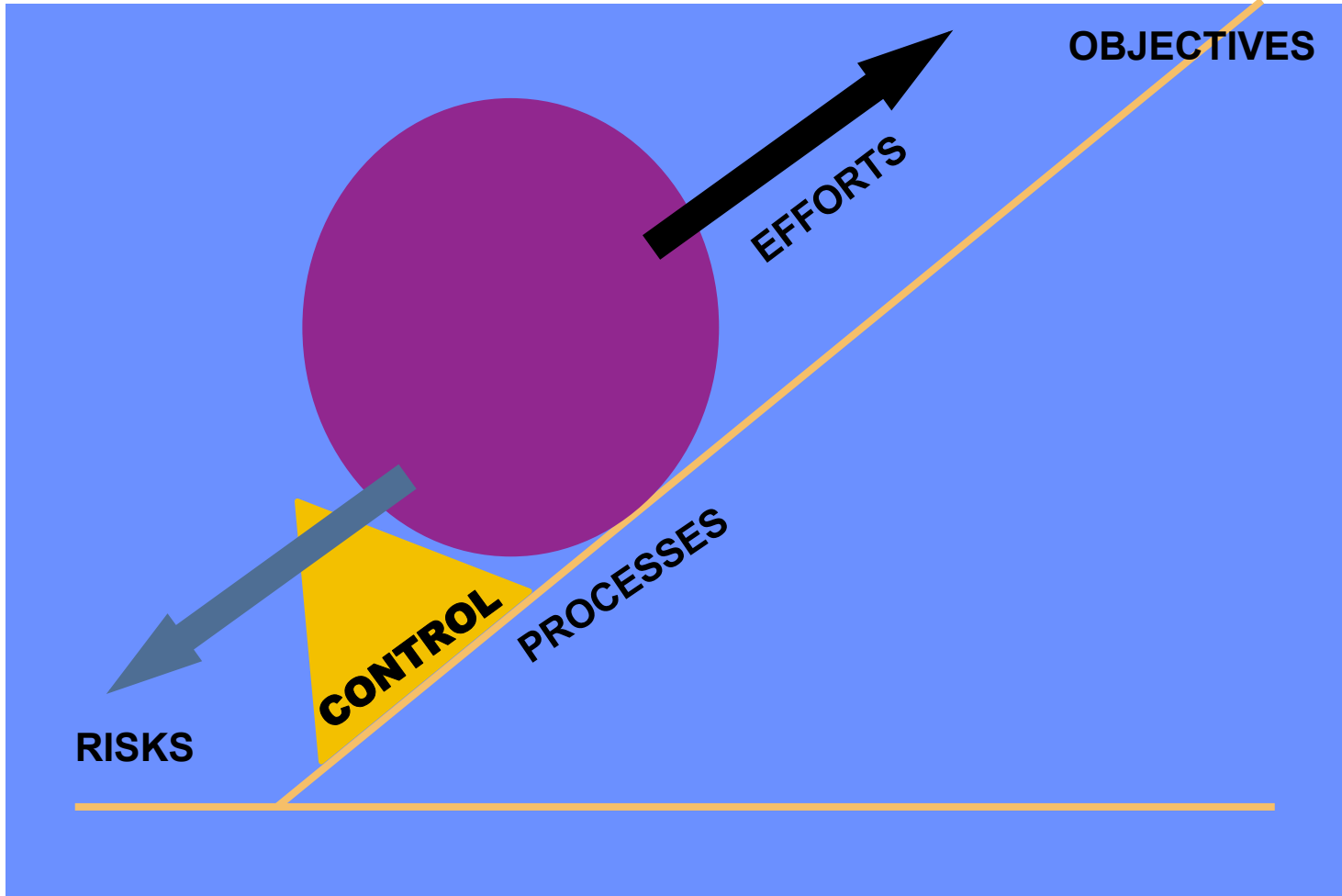
## Risk management?



# IBM Finance Forum 2011

Anticipate and shape business outcomes

“Operational” *Risk Management* Concept (day to day business)

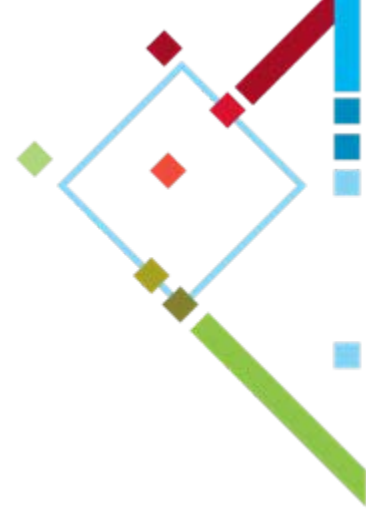


## Operational Risk – Control activities



## Agenda

- Challenge today
- Promise of GRC
- Enterprise GRC Platform
- Case Studies







## A confluence of trends has elevated the GRC agenda

- Politics
    - Shift to increased corporate oversight
  - Regulation
    - Financial regulatory reform (US & EU)
    - SEC proxy disclosure rules
  - Economics
    - Slower growth forcing companies to consolidate GRC management to reduce cost
    - Companies looking for advantage through better risk management
  - Focus on new risk management domains
    - Reputation risk, regulatory non-compliance, fraud
  - Complexity of current systems
- ***New information architecture will be required***

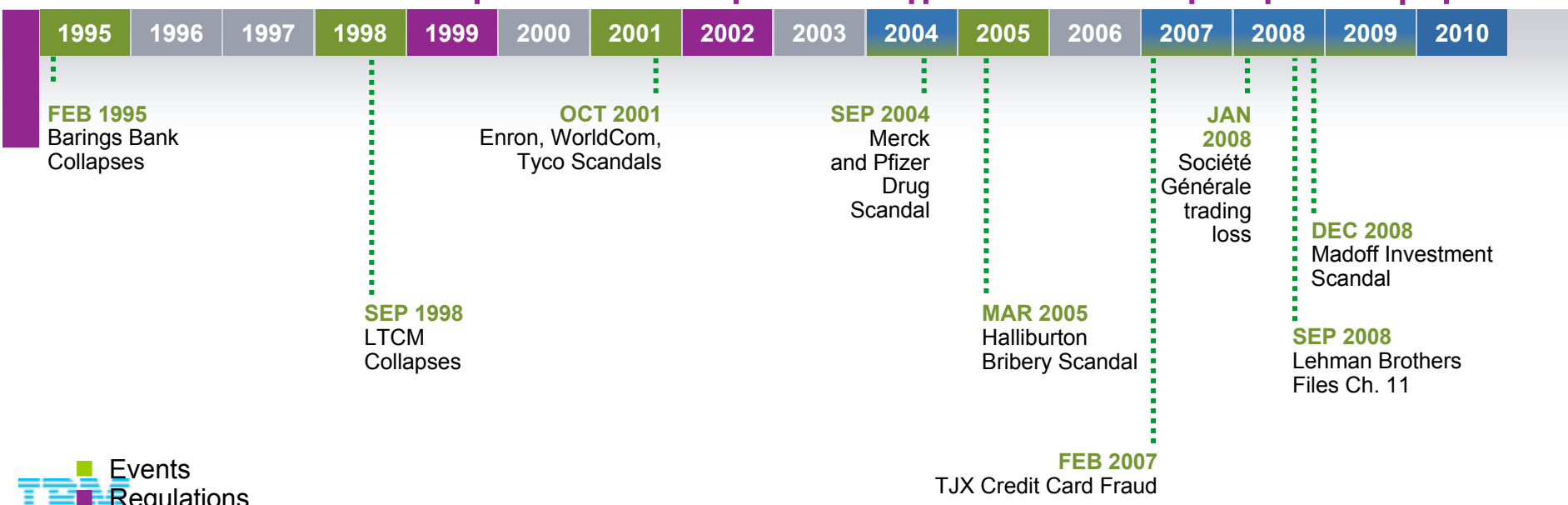
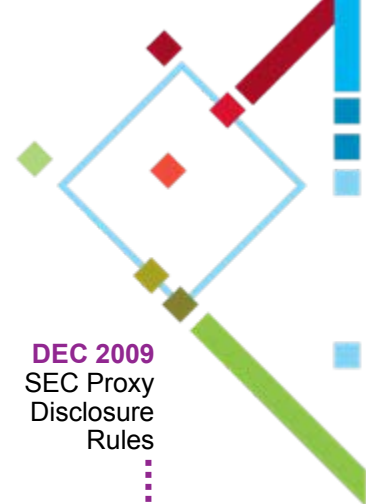
# IBM Finance Forum 2011

Anticipate and shape business outcomes

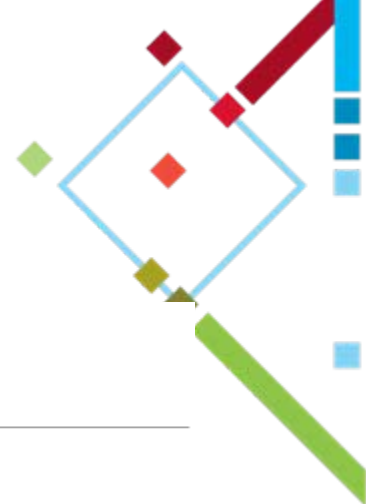
## Regulatory Oversight Has Increased



## Regulation is intensifying







## The stakes are enormous

The New York Times  
nytimes.com

January 24, 2008

### **\$7.1 Billion Fraud Uncovered at Société Générale**

By DAVID J. ICHELY

PARIS — The French bank Société Générale said Thursday that it had uncovered "an exceptional fraud" by a trader that would cost it €4.9 billion, or about \$7.1 billion, and that it would seek new capital of about \$8 billion.

The company, the second-largest listed bank in France, said in a statement that the fraud had been committed by a trader in charge of "plain vanilla" hedging on European index futures.

The trader, who was not identified, "had taken massive fraudulent directional positions in 2007 and 2008 far beyond his limited authority," the bank said. "Aided by his in-depth knowledge of the control procedures resulting from his former employment in the middle-office, he managed to conceal these positions..."

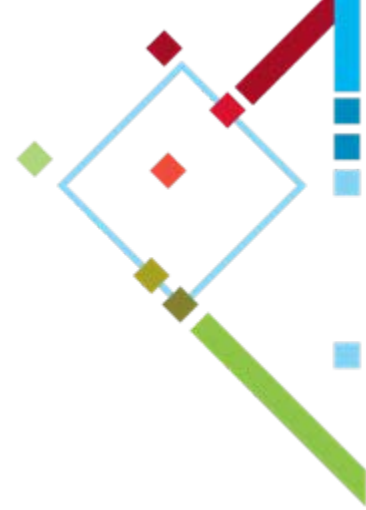
The bank said the fraudulent positions...  
to be a case of "isolated fraud."

...thly investigated and found

"Aided by his in-depth knowledge of the controls procedures resulting in his former employment in the middle-office..."

## Agenda

- Challenge today
- **Promise of GRC**
- Enterprise GRC Platform
- Case Studies

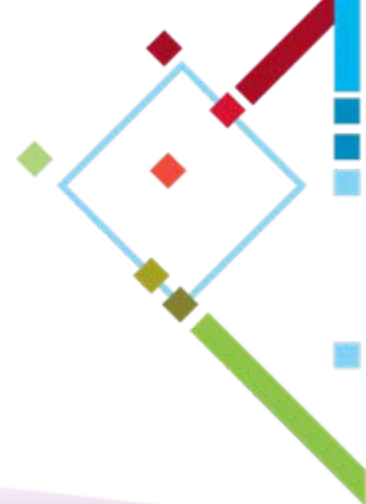
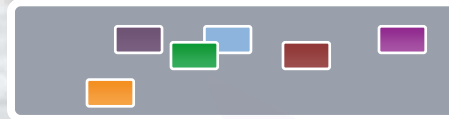


# IBM Finance Forum 2011

Anticipate and shape business outcomes

## Most companies are struggling with compliance and risk information fragmentation

### CEO/CRO/CFO/CIO



## What can Governance, Risk & Compliance mean for the organization?

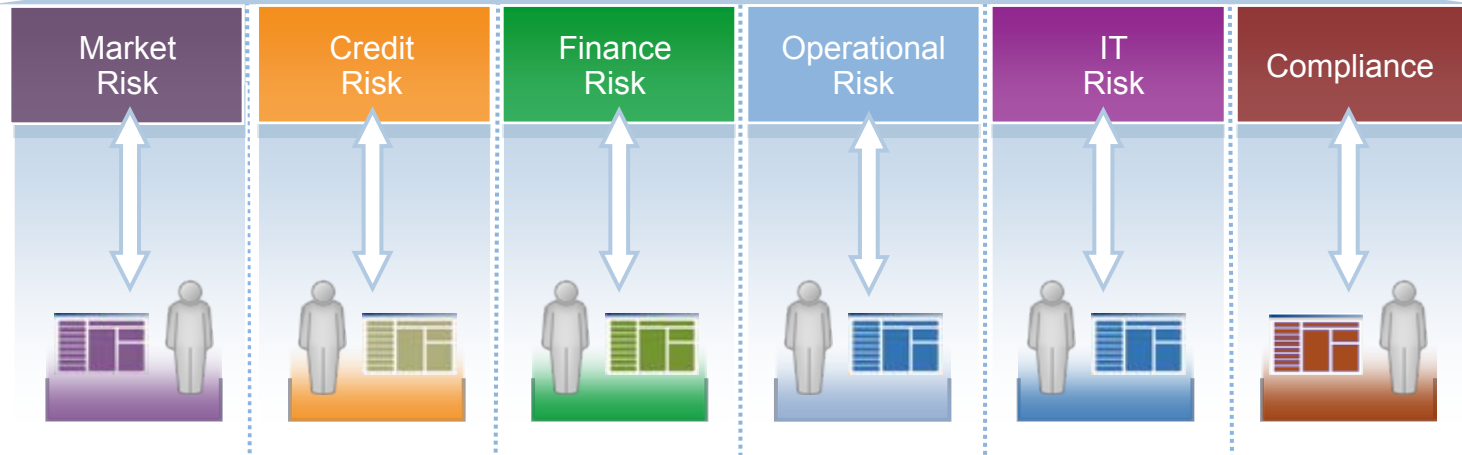
- Provides a holistic view of all risks
  - Including their intra-relationships - and financial implications?
- A business process. Success depends heavily on the risk aware culture in the company
- Recognize risk management not as risk elimination, but a tradeoff between price, cash liquidity, credit and operating risks
- A subset of technology Risk Adjusted Performance Management:
  - How the business compare based on the totality of risk they assume
  - Determination of capital reserves appropriate for the actual level of exposures and the capital required to absorb unexpected losses

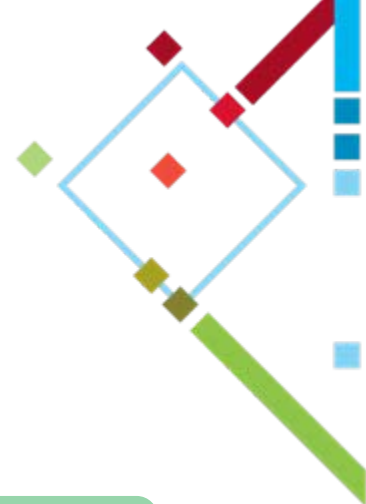
# IBM Finance Forum 2011

Anticipate and shape business outcomes

## An integrated approach provides clear visibility at the top of the business

CEO/CRO/CFO/CIO

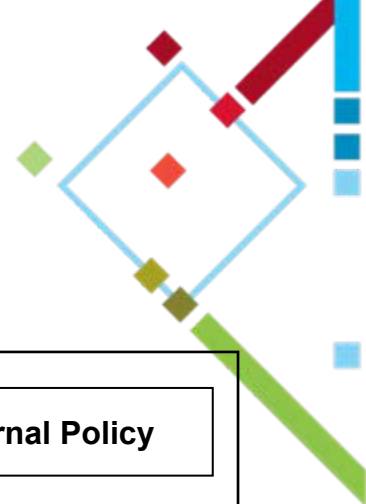




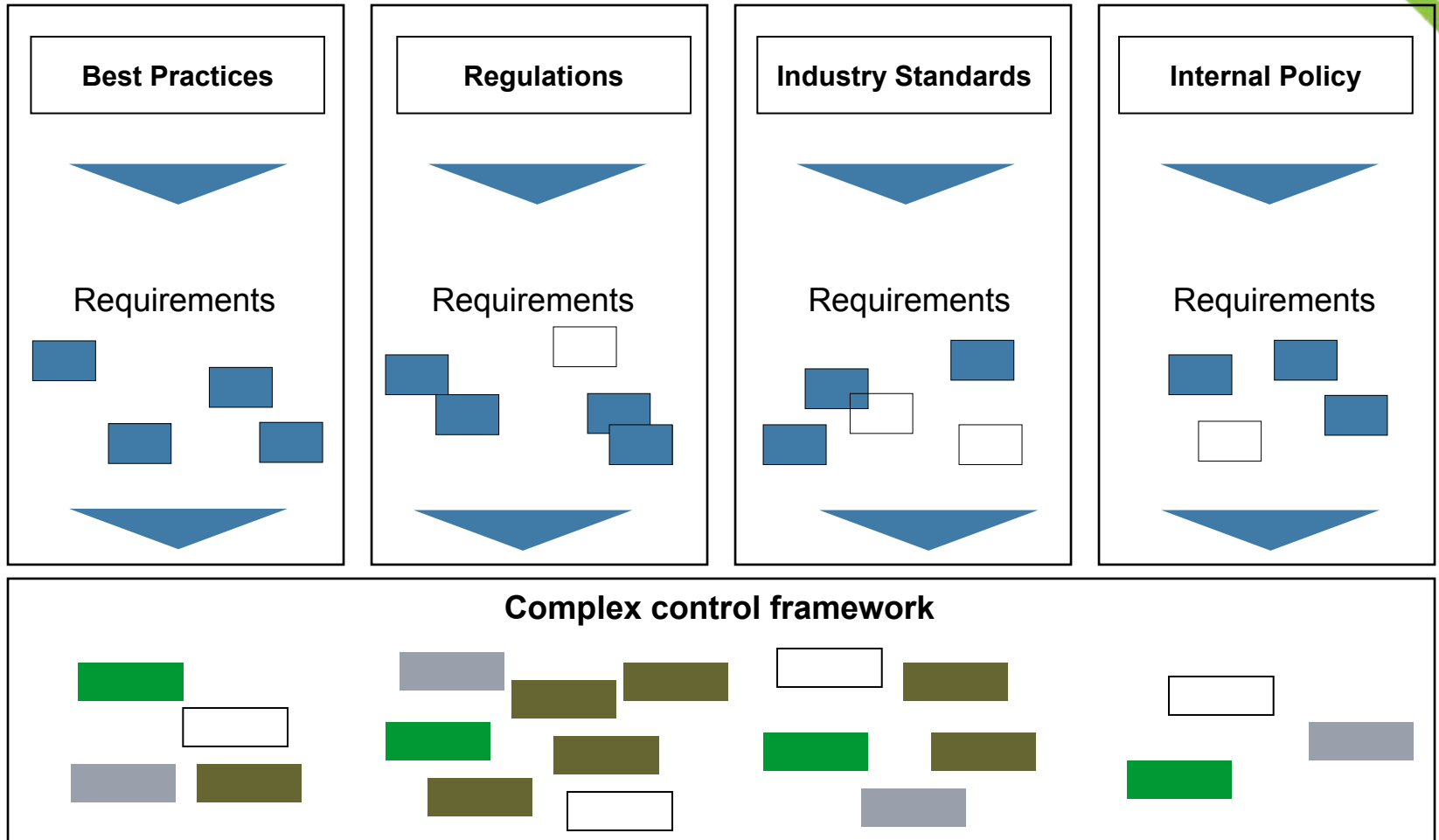
## Overlap of GRC activities can cause redundancy

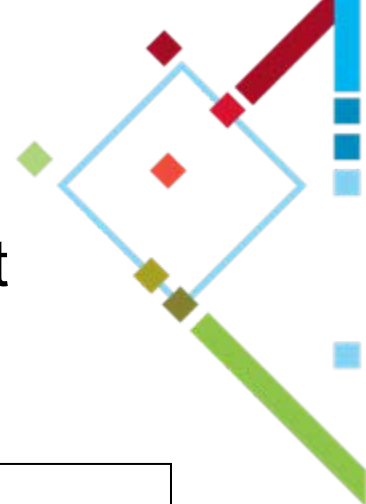
<u>FUNCTIONS</u>	<u>ACTIVITIES</u>				
	Assessment	Control Testing	Reporting	Issue Mgmt	Policy Mgmt
Risk	✓	✓	✓	✓	✓
Compliance	✓	✓	✓	✓	✓
IT	✓	✓	✓	✓	✓
Finance	✓	✓	✓	✓	✓
Audit	✓	✓	✓	✓	✓



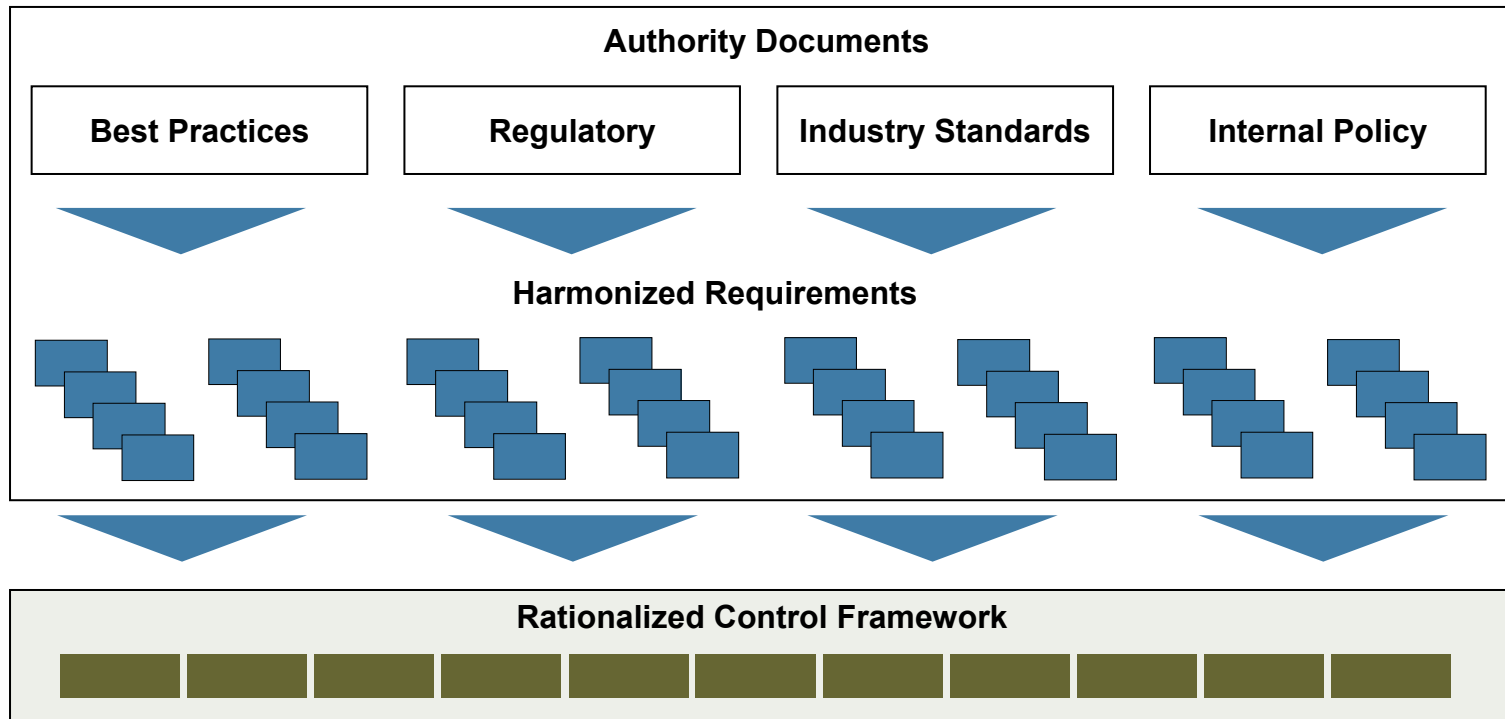


## A siloed approach leads to a complex and inefficient control framework





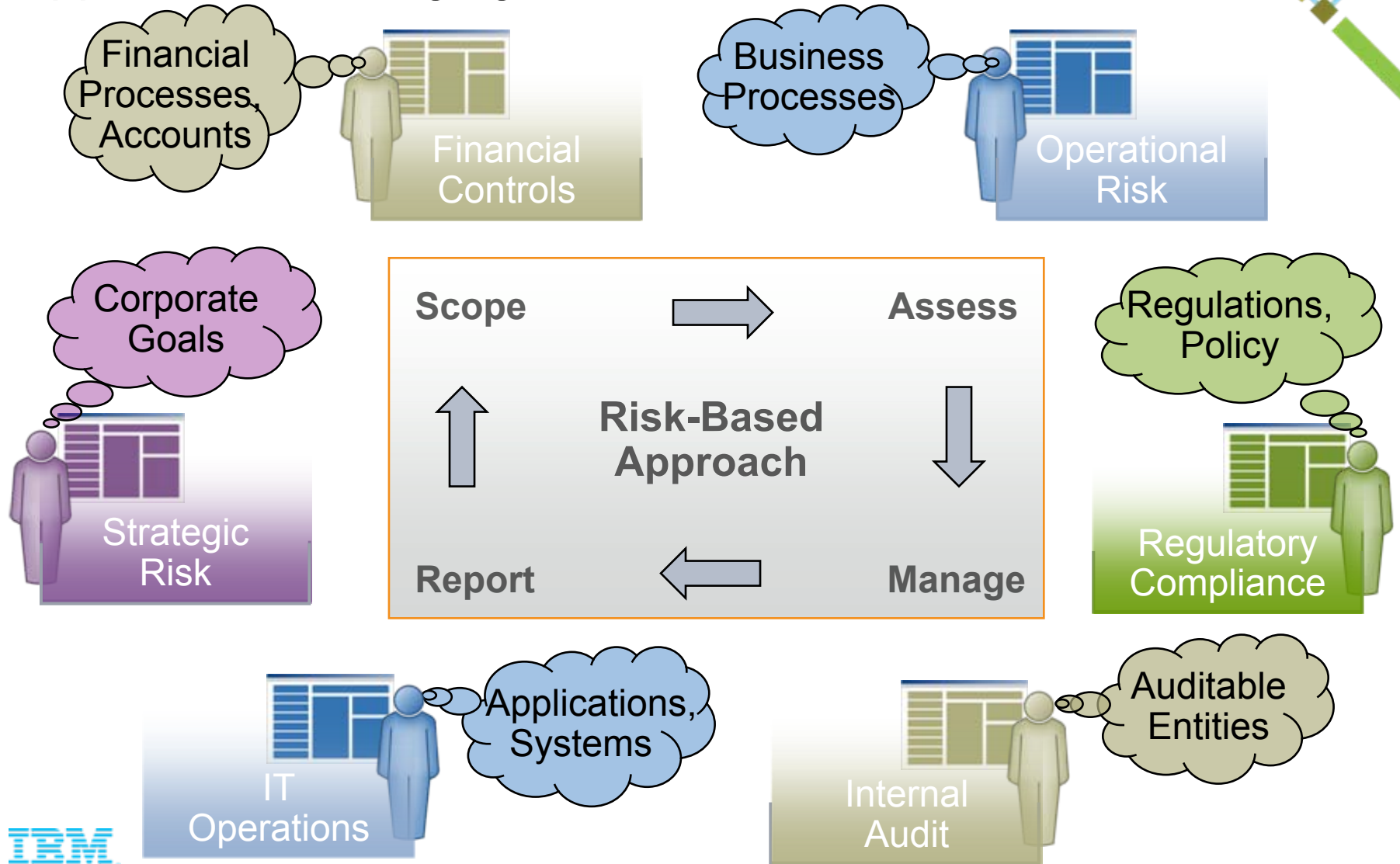
The integrated approach harmonized directives, best practices and policies for a rationalized control framework



# IBM Finance Forum 2011

Anticipate and shape business outcomes

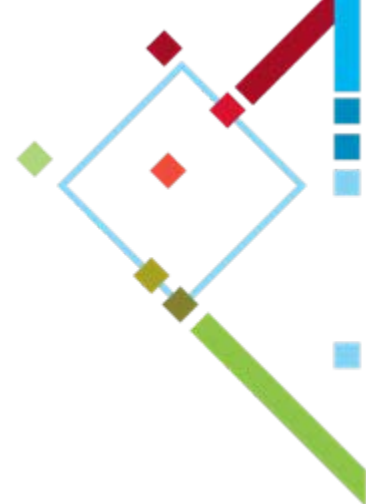
## An Enterprise GRC Platform also enables a risk-based approach to managing the business



# IBM Finance Forum 2011

Anticipate and shape business outcomes

## Convergence promises a strong ROI



**OpenPages ROI**

	12 Month	Year 2	Year 3	Year 4	Year 5
<b>Operating Efficiencies</b>					
Risk Assessment	142,983	142,983	142,983	142,983	142,983
Control Testing	219,375	219,375	219,375	219,375	219,375
Issue Management	239,063	239,063	239,063	239,063	239,063
Reporting	76,288	76,288	76,288	76,288	76,288
Policy Management	125,000	125,000	125,000	125,000	125,000
<b>Infrastructure Savings</b>					
Databases (Access, Excel)	151,080	151,080	151,080	151,080	151,080
Applications	140,750	140,750	140,750	140,750	140,750
<b>Total Savings</b>	<b>1,094,538</b>	<b>1,094,538</b>	<b>1,094,538</b>	<b>1,094,538</b>	<b>1,094,538</b>
<b>Infrastructure Costs</b>					
Licenses	848,500	848,500	848,500	848,500	848,500
Maintenance	170,625	170,625	170,625	170,625	170,625
Implementation	345,000	345,000	345,000	345,000	345,000
FTEs	-	250,000	250,000	250,000	250,000
<b>Total Costs</b>	<b>1,364,125</b>	<b>420,625</b>	<b>673,913</b>	<b>673,913</b>	<b>673,913</b>
<b>Net</b>	<b>(269,587)</b>	<b>673,913</b>	<b>673,913</b>	<b>673,913</b>	<b>673,913</b>
<b>Cost of Capital (or Hurdle Rate)</b>	<b>8%</b>				
<b>ROI</b>	<b>\$1,817,130</b>				

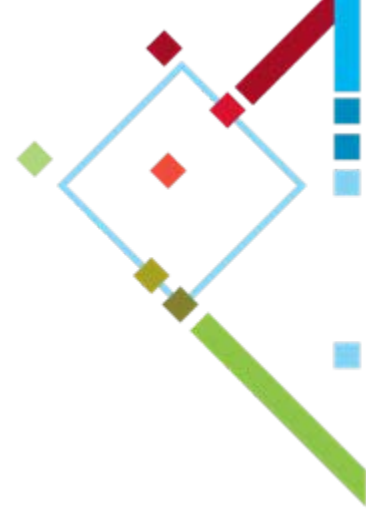
**ROI**  
**\$1,817,130**

ROI	\$1,817,130				
Cost of Capital (or Hurdle Rate)	8%				
Net	(269,587)	673,913	673,913	673,913	673,913
Total Costs	1,364,125	420,625	673,913	673,913	673,913
Infrastructure Savings	1,094,538	1,094,538	1,094,538	1,094,538	1,094,538
Operating Efficiencies	1,094,538	1,094,538	1,094,538	1,094,538	1,094,538



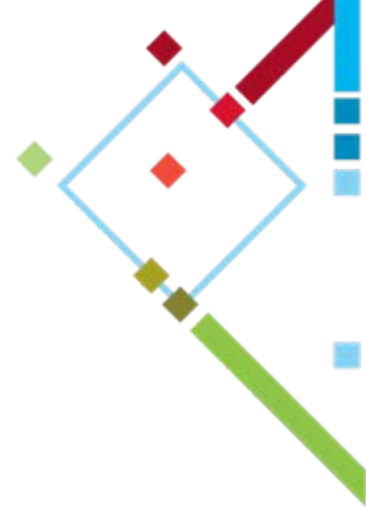
## Agenda

- Challenge today
- Promise of GRC
- Enterprise GRC Platform
- Case Studies



## Core GRC capabilities serve the key risk and oversight functions

- Risk management
- Audit management
- Policy & Compliance management
- Remediation
- Risk and controls matrix

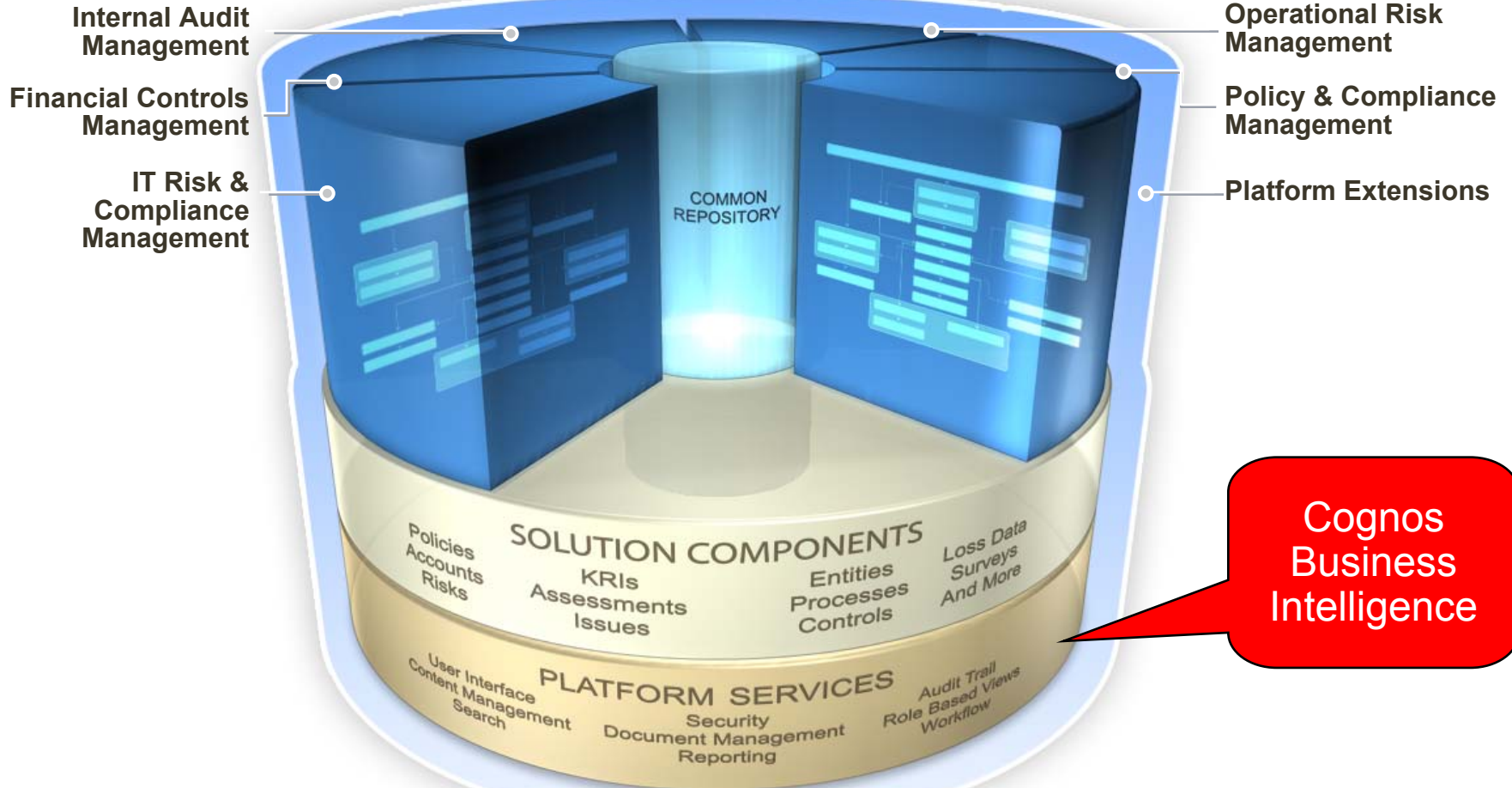






## OpenPages Enterprise GRC Platform integrates key GRC functions

**CommandCenter™**  
Business Intelligence



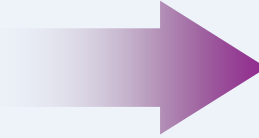


## OpenPages Platform supports the key requirements for GRC

### Requirement

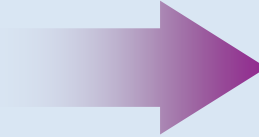
### OpenPages Capability

Integrate multiple areas of risk and compliance



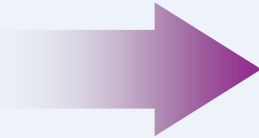
Central platform for integrated reporting, workflow, policies

Support any risk management methodology



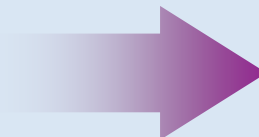
Patented, adaptable framework enabling easy configuration

Provide visibility into state of risk in business

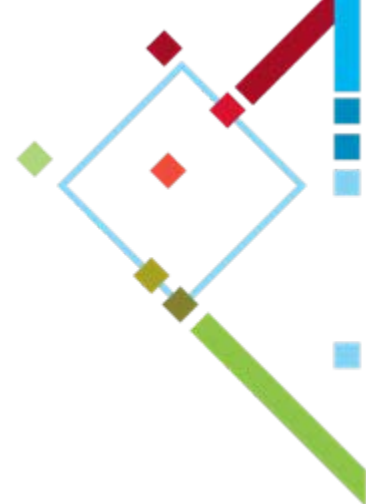


Interactive dashboards and ad-hoc reports for decision support

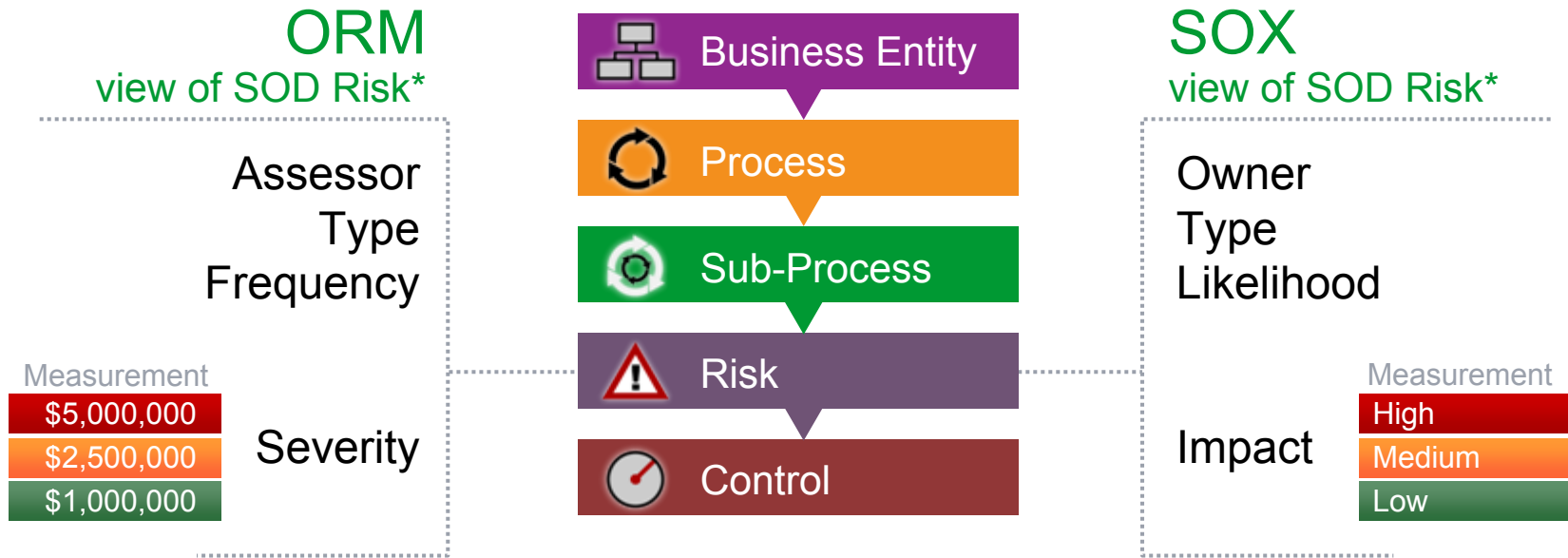
Automate compliance and risk management activities



Powerful workflow for automating business processes



## Enterprise GRC platforms must support the methodologies of different risk domains



*\*SOD Risk is the risk of internal fraud through a violation of segregation of duties between establishing a vendor in the payment system and authorizing payment to the vendor*

## OpenPages FCM

*Market-leading Solution for Managing Financial Reporting Risk*

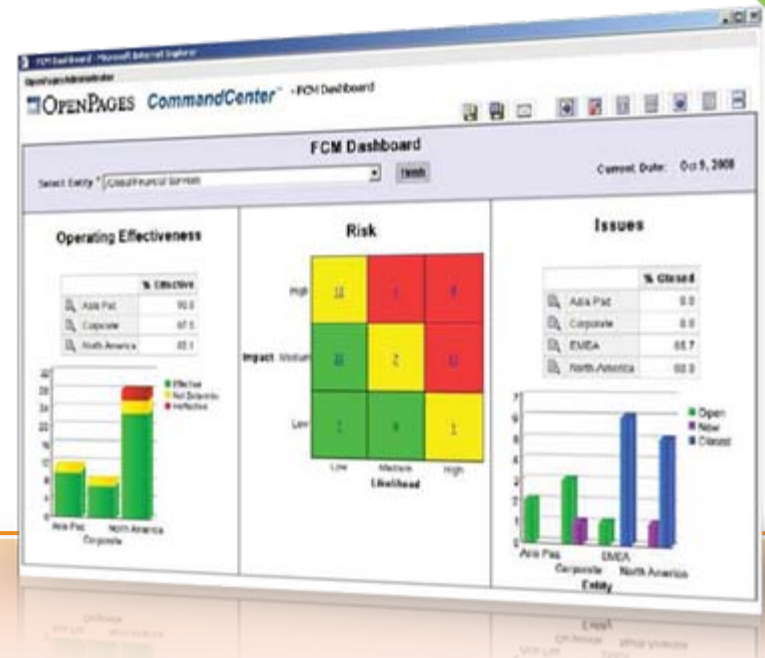
OpenPages FCM dashboards, charts and reports deliver views on the state of financial reporting risk.

### Key Features

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

### Business Benefits

- Secure and centralize financial reporting compliance data
- Provide executive management with visibility into the state of process
- Ensure quick issue remediation



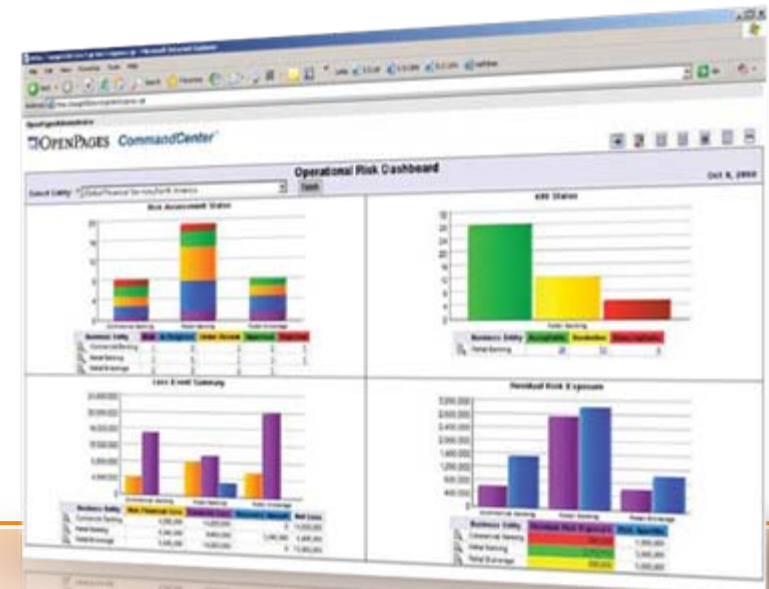
## OpenPages ORM

*The Complete Software Solution for Operational Risk Management*

### Key Features

- Enterprise operational risk management
  - Basel II AMA/Solvency II
  - Board reporting on key risks
  - Business line decision-making
- Fully-integrated OpRisk capabilities:
  - Risk Control Self-Assessments (RCSAs)
  - Loss event management (internal & external)
  - Scenario analysis
  - Key Risk Indicators (KRIs)
- Out-of-the-box KRI, loss event and RCSA reporting
- Capital calculation through integration with statistical modeling packages

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



### Business Benefits

- Understand and proactively manage the risks that can impact the business
- Reduce loss and impact
- Reduce capital needed to fund operations



## OpenPages PCM

### Sustain Compliance Across Multiple Policies and Regulations

#### 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
- Regulator interaction
- Regulatory change management

Policy Mandate Map Detail						
Business Entity: /Library						
Policy: /Library/Policies/Policy 2						
Policy Name:		Policy 2				
Policy Description:		Policy 2 Description				
Control Operating Effectiveness:		30%				
Procedure Name	Procedure Description	Requirement Name	Requirement Description	Control Operating Effectiveness	Mandate	Sub-Mandate
Pol 2 - Procedure 1	Pol 2 - Procedure 1 Description kdlpfj alks,dhalksd djfalksdj g/a,dg	Requirement 1	Description of Requirement -1	0%	AML	AML Section 1 AML Section 3
		Requirement 2	Requirement 2 aksf j,alkfjals Description	33%	AML GLBA	AML Section 1 GLBA Section 1 GLBA Section 6
		Requirement 6	Requirement 6 Description alkdsjf asdj; Description 6		HIPAA	HIPAA Section 3
Pol 2 - Procedure 2	Pol 2 - Procedure 2 Description alksdnfr aksh o,tkasd	Requirement 1	Description of Requirement -1	0%	AML	AML Section 1 AML Section 3
		Requirement 4	Requirement 4 Description	100%	AML HIPAA	AML Section 2 HIPAA Section 1 HIPAA Section 2
		Requirement 5	Requirement 5 Descriptions dfads fasdfasdaRequirement 5 Desc	100%	GLBA	GLBA Section 4 GLBA Section 5
Pol 2 - Procedure 3	Pol 2 - Procedure 3 Description	Requirement 4	Requirement 4 Description	100%	AML HIPAA	AML Section 2 HIPAA Section 1 HIPAA Section 2

#### 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

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



## OpenPages ITG

*Aligning IT risk and compliance 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
- Risk control matrix
- 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.



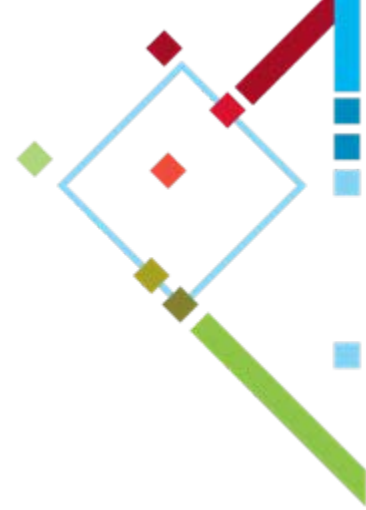
### Business Benefits

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



## Agenda

- Challenge today
- Promise of GRC
- Enterprise GRC Platform
- **Case Studies**



## Integrated Financial Controls and Operational Risk Management



### Business Challenge

- Multiple assessments and reports for risks and controls in SOX and Operational Risk
- High operating costs
- Align systems with strategic goal of common risk management framework

### Solution

- Single system, highly configurable
- Integrated reporting
- Powerful workflow to automate data collection process

### Business Benefits

- Reduced cost, improved efficiency and effectiveness
- Better overall view of risk and compliance posture and the dependencies between them
- Used extensively by the business, particularly when completing risk and control assessments

# IBM Finance Forum 2011

Anticipate and shape business outcomes

Proven by the World's Leading Companies



## Financial Services

BARCLAYS  
Lloyds TSB  
ABSA  
Bank of America  
ING  
FIRSTRAND  
BMO Financial Group  
MasterCard  
ORX ASSOCIATION  
UnionBank  
ICAP NATIONAL BANK OF GREECE

## Insurance

AVIVA  
AIG  
GEICO  
Allianz  
Swiss Re

## Manufacturing

DRS TECHNOLOGIES  
WORTHINGTON INDUSTRIES  
WOLSELEY

## Retail/Consumer

Del Monte Quality  
Constellation

## Energy and Power

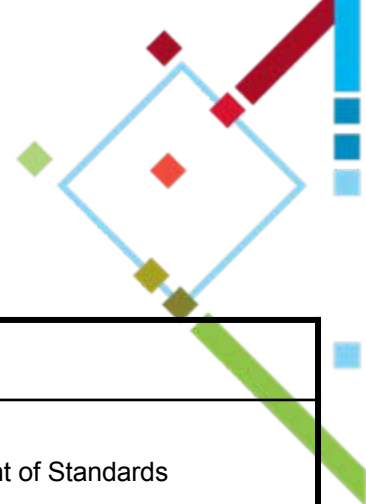
Duke Energy  
bp  
BAKER HUGHES  
Williams  
PG&E  
ALLETE

## Telecommunications

vodafone  
meteor

## Health Services / Pharmaceuticals

CardinalHealth  
HCA Hospital Corporation of America



## Challenges

Business Pain	Business Pain Driver	GRC elements
<ul style="list-style-type: none"><li>▪Fragmented policies</li><li>▪Fragmented processes</li><li>▪Lost context</li></ul>	<ul style="list-style-type: none"><li>▪Disparate policy maintenance</li><li>▪Silo view of multi-department processes</li></ul>	<ul style="list-style-type: none"><li>▪Systematic Approach</li><li>▪Adoption /Enforcement of Standards</li></ul>
<ul style="list-style-type: none"><li>▪Policies do not reflect current regulatory requirements</li><li>▪Policies do not reflect current business practices</li></ul>	<ul style="list-style-type: none"><li>▪Policies and regulatory requirements maintained in Excel, Word, and isolated desktop software programs</li><li>▪Failure to document current business workflows</li></ul>	<ul style="list-style-type: none"><li>▪Central Repository</li><li>▪Greater Security and Control</li><li>▪Documented and accessible process flows</li></ul>
<ul style="list-style-type: none"><li>▪Time/resource consuming</li><li>▪Exposure to human error</li><li>▪Bottlenecks</li></ul>	<ul style="list-style-type: none"><li>▪Manual Processing</li></ul>	<ul style="list-style-type: none"><li>▪Automated Workflows</li><li>▪Full Transparency</li><li>▪Greater Efficiency</li></ul>