



IBM Banking Industry Framework for integrated risk management: Manage your risks for improved financial performance

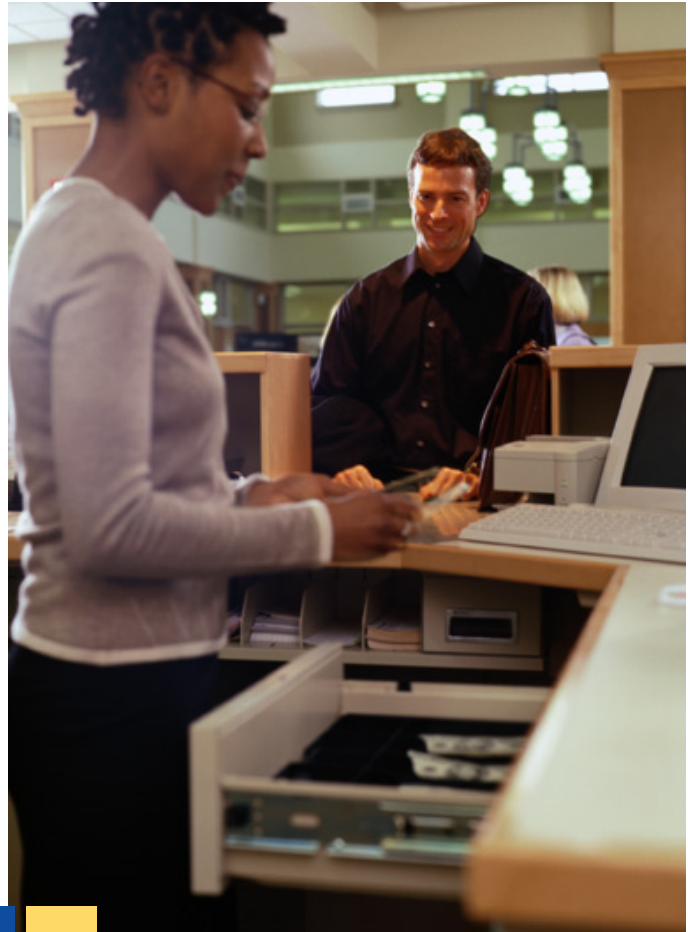
Taking a holistic approach to managing risk: A banking imperative

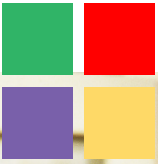
As financial institutions have grappled with the evolution of the financial services industry, risk management has become an increasingly visible priority. The ability to manage risk impacts the confidence a bank's customers and partners are willing to place in their institution. Transparency and the ability to understand and manage financial and non-financial risk exposures throughout the enterprise are crucial to the long-term health of the business.



Banks need access to trusted, relevant information. They also need to be able to apply risk analytics for insight into risk exposures. However, banks often have multiple IT systems and data repositories that duplicate cross-enterprise functions and store redundant, fragmented, or conflicting risk-related data in multiple places. This can result in inaccurate or delayed reporting of risk exposures. Even with a good understanding of risk exposures, banks often struggle with risk management processes that are difficult to modify without significant manual intervention. Without trusted information and the ability to quickly act on it, financial institutions cannot effectively manage the risks they face or comply with ever-changing regulations.

For many banks, a simpler, more integrated risk infrastructure is needed. However, large scale transformation efforts are often costly, risky and slow to generate a return on investment. Today banks need a smarter, progressive approach that enables them to transform their infrastructures over time, project by project, leveraging the assets they already have and driving value along the way. Now banks can build a technology roadmap to meet these needs with the IBM Banking Industry Framework for integrated risk management.





The IBM Banking Industry Framework for integrated risk management provides:

- Access to trusted risk data throughout the enterprise
- Blueprints for integrating risk information with enterprise-wide, distributed profitability management
- Consolidation of credit and underwriting; market; and operational risk information into an enterprise-wide view
- Faster requirements definition and implementation with common banking processes and data models
- Industry-leading credit risk insight in standard reporting formats
- Real-time analytics with business rules management and business events-based processing as well as real time identity and relationship recognition and resolution
- Specialized reporting templates to create executive dashboard reporting
- Tools that help you analyze unstructured data for greater risk insights

Bridging the gap between business requirements and IT capabilities: A framework approach

The IBM Banking Industry Framework provides a software platform along with pre-built integrated risk management software extensions, solution accelerators and best practices to help you significantly speed time to value in your solution implementation. It provides an approach for a progressive, managed, business-driven transformation of your risk information and related processes.

As you prioritize your changing business needs, you have a choice in how to get started. Along with a selection of applications from leading independent software vendors (ISVs), the framework supports your transformation journey with integrated risk management projects in the following areas:

- Financial risk. *Understand risk exposure across lines of businesses in order to make rapid risk decisions consistent with your firm's risk appetite.*
- Financial crimes detection and prevention. *Instrument your organization to detect and interrupt financial crime patterns.*
- Operational and IT risk. *Anticipate and mitigate potential risk from failed internal processes, people or systems.*
- Governance and compliance. *Comply with voluntary and mandated external and internal regulations while differentiating your competitive position.*





Case study: Operational Riskdata eXchange Association (ORX) helps member banks identify risk hotspots

This leading banking association enabled its member financial institutions to have the ability to compare the frequency and severity of operational risk losses in multiple categories, leveraging a more sophisticated statistical analysis and modeling methodology. This improved modeling methodology gave institution leaders unprecedented access to comparative benchmark data and greater risk insight.

With help from business analytics experts at IBM Research, ORX was able to develop the new methodology which draws on anonymized data collected from member banks around the world. IBM business partner OpenPages provided the operational risk management application that allows member banks to securely submit data and retrieve intelligence based on the operational loss data captured in the system. At the heart of the hosted solution were IBM framework offerings including advanced reporting, access and identity management, application connectivity and portal software.

As a result of the project, ORX continues to grow a large, trusted, anonymous, secure and statistically significant database enabling its members to individually benchmark existing hotspots and model for existing and emerging risk. The solution enables each member bank to scale the data to more closely model its own risk. This modeling capability enables the sophisticated analysis of risk exposure which drives greater efficiency in capital allocation. For more information about the ORX success story, please visit <http://www.orx.org>

The IBM Banking Industry Framework: Giving you what you need

A framework approach delivers benefits quickly to your business. With an improved data infrastructure you can reduce maintenance costs and create a trusted source of risk information. You can use this information to make more informed judgments and effectively measure, monitor and mitigate risk. By moving to dynamic business process management, you gain the flexibility to change your processes as your risk appetite and compliance requirements change, reducing manual intervention. With robust analytical tools, you can identify and stop potentially fraudulent activity before it occurs or spirals out of control. Improved data management and reporting tools give you the ability to monitor and manage risk exposures in real time. Plus, as you create a more flexible infrastructure for integrated risk management, you help to build the foundation for a more strategic architecture within the bank.

Take advantage of our vast expertise

IBM is a global leader in financial services. Financial institutions around the world are using an industry framework approach to simplify their technology infrastructure. IBM can help you get on the path to greater agility, whether you're just starting out, seeking to optimize your existing infrastructure or somewhere in between. Talk to your IBM representative today about conducting a business value assessment to identify ways to get started.

For more information

To learn more about the IBM Banking Industry Framework for integrated risk management, contact your IBM representative or visit:

ibm.com/software/industry/frameworks/banking



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