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Seven things to know about Compliance

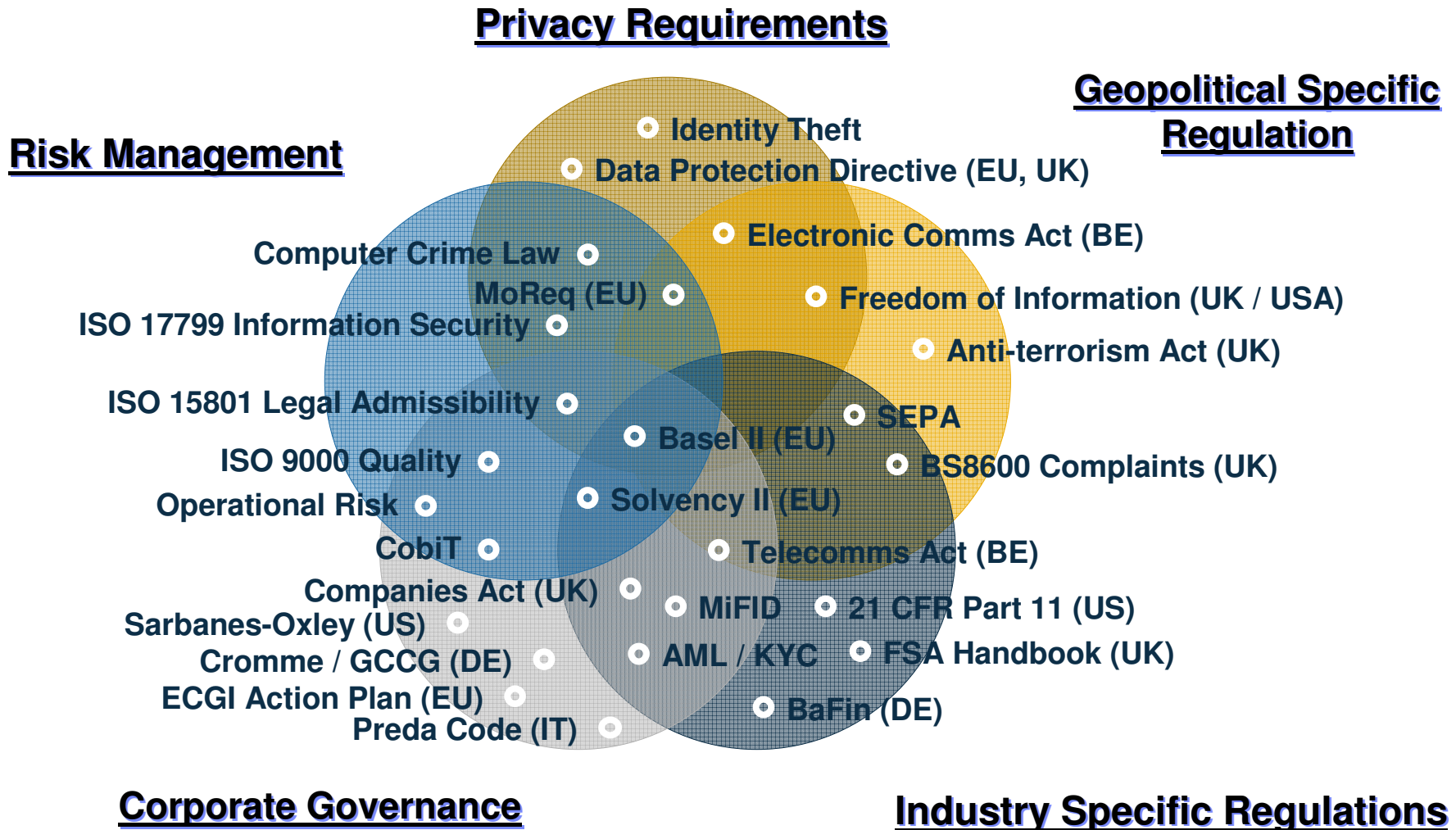
Why is compliance an issue

2. Risk & Compliance means different things
3. Achieve, Sustain, Demonstrate
4. Return on Investment
5. Process Management and Compliance
6. Some lessons learned...
7. An enterprise approach to Compliance

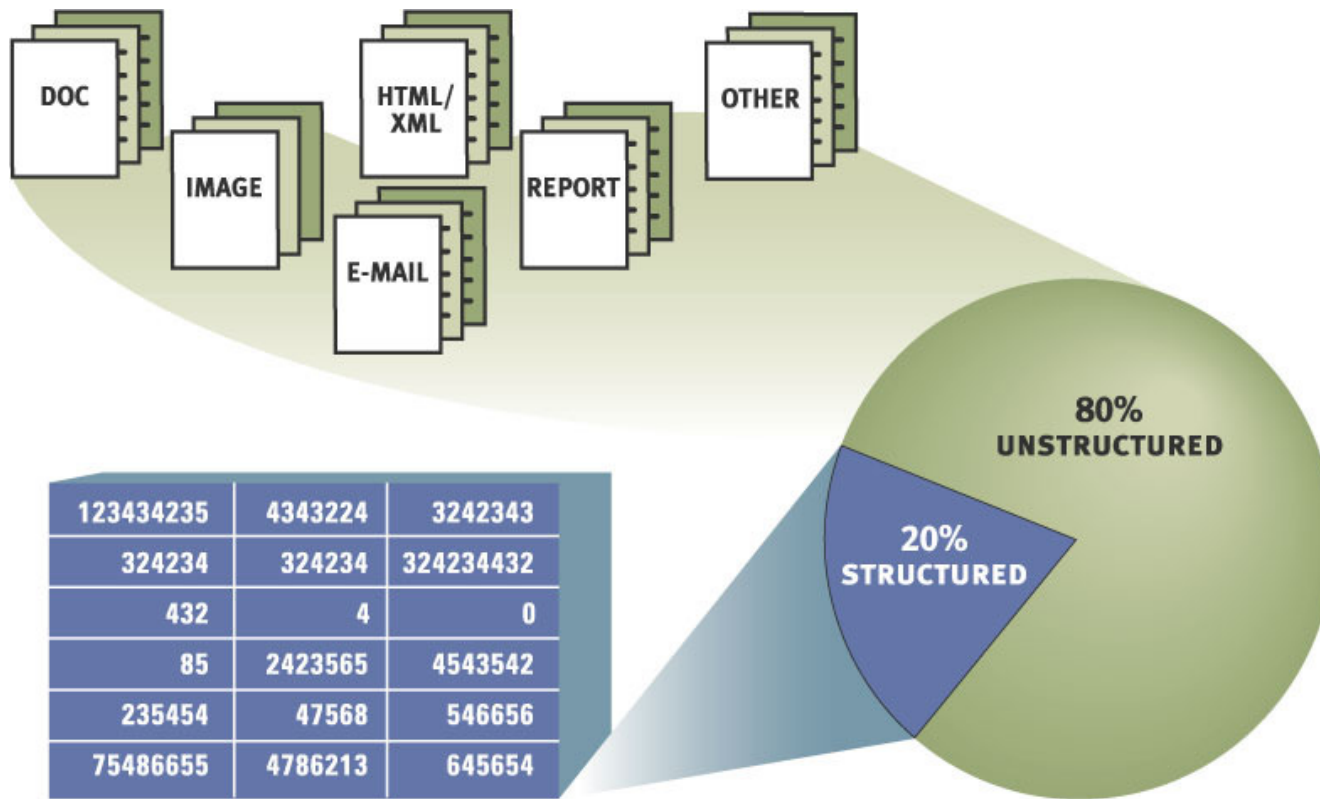




Overlapping Compliance Drivers



80% of Enterprise Data is Unstructured

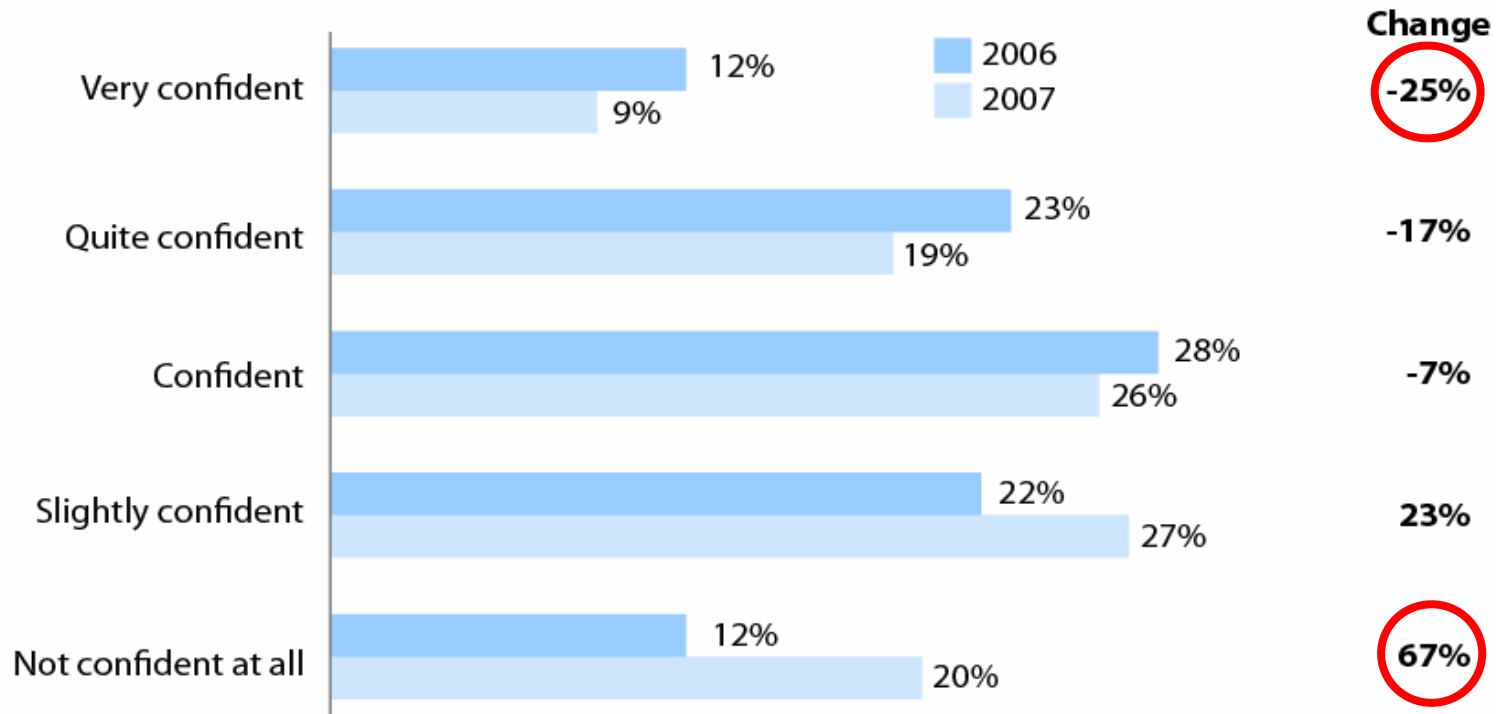


Databases

- Billing statements
- Claims images
- Customer correspondence
- Mortgage docs
- Contracts
- Signed BOLs
- Healthcare EOBs
- Marketing collateral
- Website content
- Voice authorizations
- Signature cards
- Credit enrollments
- Material Safety Data Sheets
- ISO 9000 docs
- Plant schematics
- Product images
- Spec sheets
-and much more!

The Confidence Crisis

“How confident are you that, if challenged, your organization could demonstrate that your electronic information is accurate, accessible, and trustworthy?”



Base: 1,214 respondents from small, medium-size, and large businesses worldwide (percentages may not total 100 due to rounding)

Source: AIIM, “2007 State Of The ECM Industry” survey, April 17, 2007

Information Chaos

**Rising
Compliance &
Litigation Costs**

*No confidence our electronic
information is accurate,
trustworthy and admissible*

*Existing storage silos are
costly and prevent efficiency*

**Increasingly
Punitive Legal
& Regulatory
Environment**

*Information is out of control
and piling up everywhere ...
paper too*

*Manual policies and processes
that no one follows*

*Required information can't
be found or analyzed*

*No visibility into key
operational or legal risk
areas*

**Information
Explosion**



**Increasing
Criticality of
Producing
Information**

No Control – High Operational Costs – High Information Risk – No Visibility

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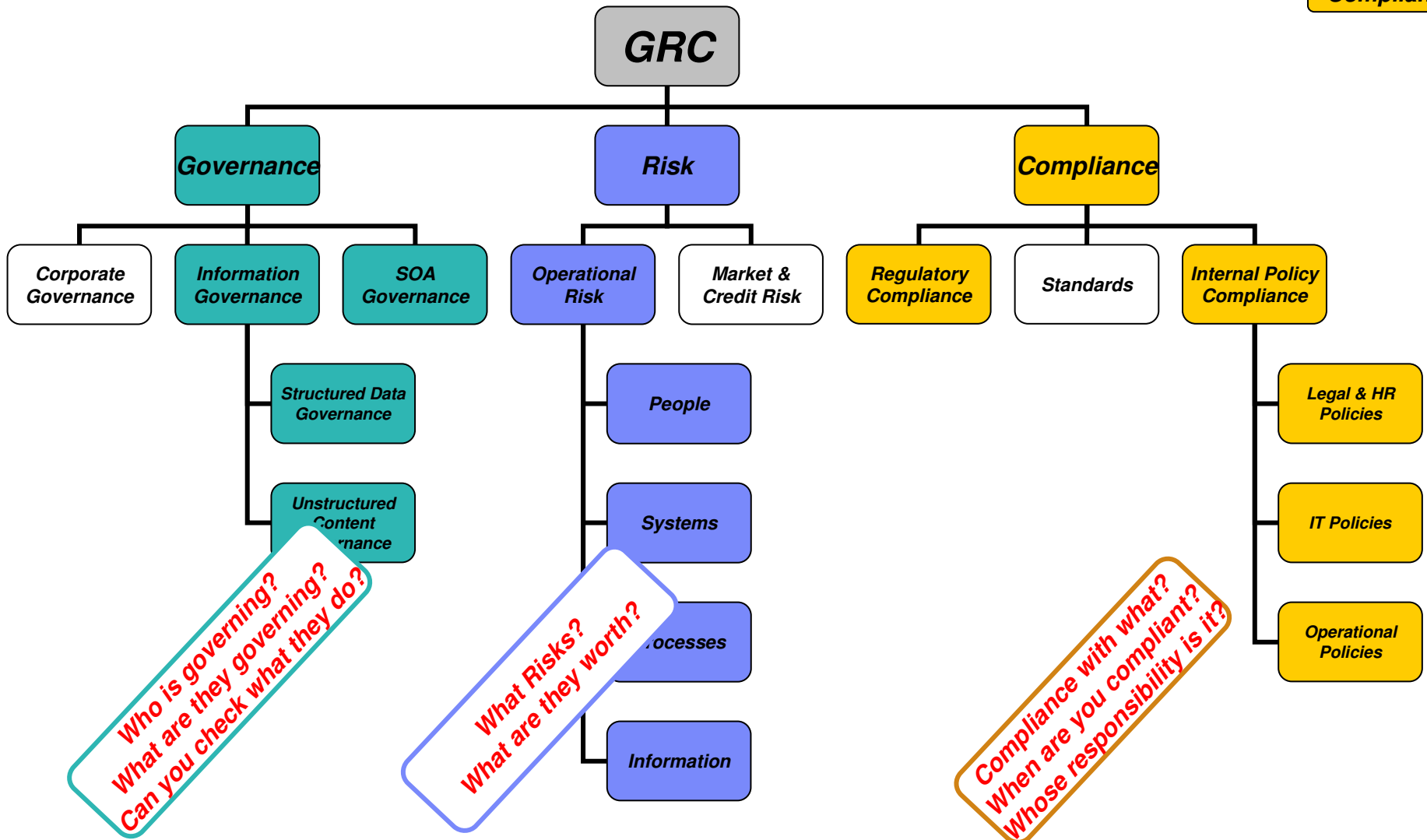
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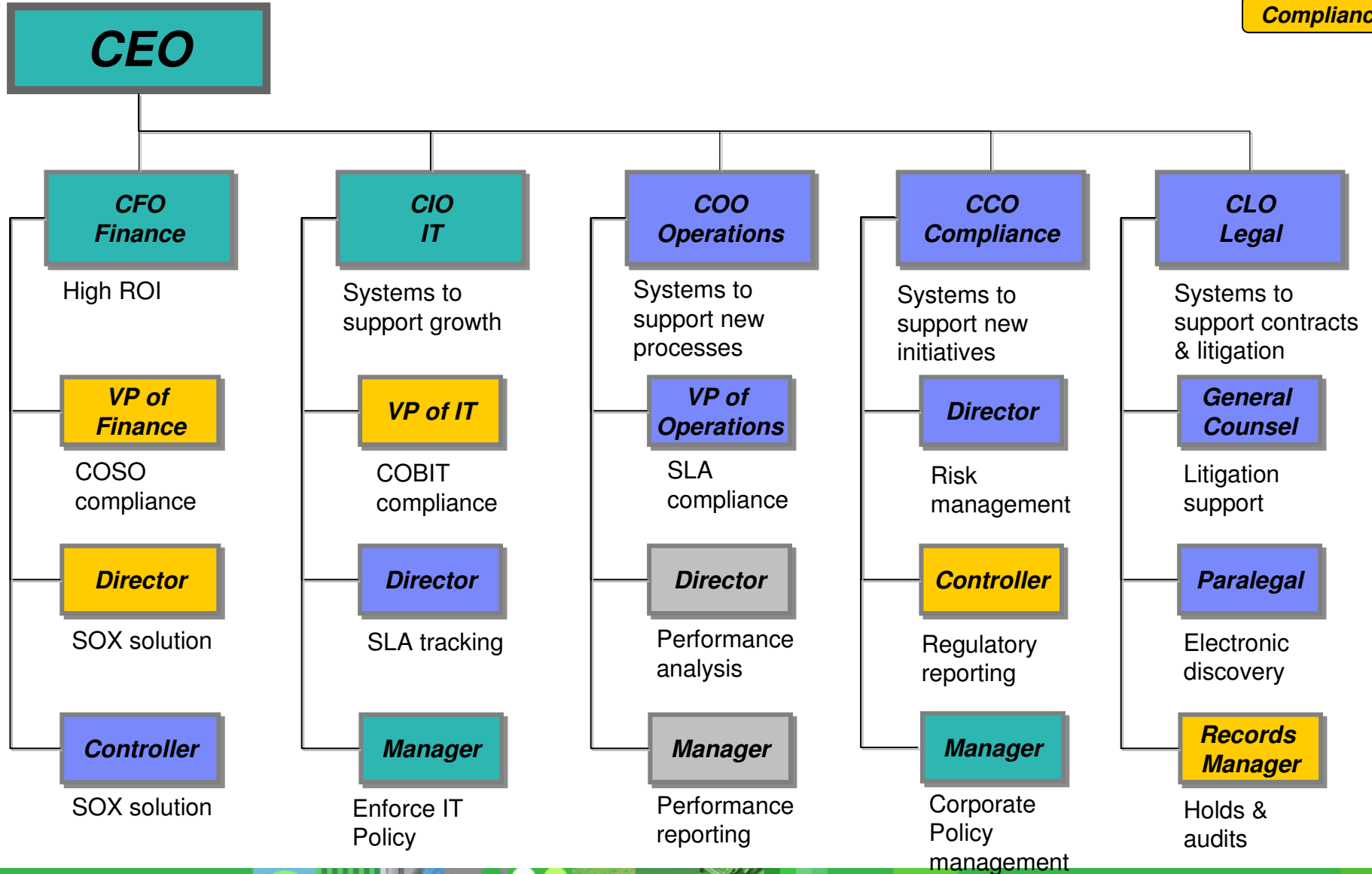
Governance Risk and Compliance (GRC) Nomenclature

- Governance
- Risk
- Compliance



- Governance
- Risk
- Compliance

Who Cares for What?



The dual personality of GRC

■ View1: Introvert – IT GRC of Information Management

- Information & Data **Governance**
 - *Setting policies, stewardship and controls in managing information*
- Information **Risk** Management
 - *Securing and monitoring information against loss, damage or mis-handling*
- **Compliance** to Information management Standards & Policies
 - *Ensuring the information management policies are adhered to*

■ View2: Extrovert – Management of LoB GRC Information

- Information Management for **Corporate Governance**
 - *Managing Financial controls, auditing information and corporate comms*
- Information Management for **Operational & Financial/Market Risk**
 - *Risk assessments, calculations, risk analytics, operational controls, loss events*
- Information Management for **Regulatory Compliance**
 - *Records management, regulatory controls, legal discovery, industry standards*

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Three Stages to Compliance

1. Achieve Compliance (*Present*)

Have the proper operational policies, processes and controls in over content and processes

2. Sustain Compliance (*Future*)

Ensure that every time you perform a process you will comply with your policy and stay within the law ... cost effectively

3. Prove Compliance (*Past*)

Be able to produce evidence (content) and proof that you have been compliant with policies and processes in effect the past



Policies, Controls and Process



Evidence and Proof

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There are ROI justifications for compliance...

- Reduction in operational resources
 - Automation of Compliance Processes
 - Reduced number of risk & financial controls
 - Automated control testing
- Minimise auditing costs
 - Full audit trails
 - Demonstrable information lineage
 - Central point of reference
- Reduction in physical paper & manual processes



Customer Experience | “The Bank”

Compliance Warehouse Impact ... Phase 1 (9 Divisions)



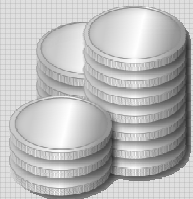
Amounts in USD	Year 1	Year 2	Year 3	Total
Incremental costs				
Software Costs	(\$1,165,815)			(\$1,165,815)
Software Support	(\$184,262)	(\$184,262)	(\$184,262)	(\$552,785)
Hardware Costs	(\$743,811)	(\$165,000)	(\$165,000)	(\$1,073,811)
Incremental Transactional Costs	(\$1,277,106)	(\$1,302,649)	(\$1,328,702)	(\$3,908,456)
Professional Services / Training Costs	(\$354,000)			(\$354,000)
Annual Incremental Costs	(\$3,724,994)	(\$1,651,910)	(\$1,677,963)	(\$7,054,867)
Annual Savings				
Transactional Savings	\$9,140,483	\$9,361,154	\$9,548,377	\$28,050,014
Legal Savings	\$182,856	\$256,581	\$354,081	\$793,518
Other Direct Savings	\$483,605	\$947,445	\$1,044,945	\$2,475,994
Annual Savings	\$9,806,944	\$10,565,180	\$10,947,403	\$31,319,527
Annual Net Value Derived	\$6,081,950	\$8,913,270	\$9,269,440	\$24,264,660
Cumulative Net Value Derived	\$6,081,950	\$14,995,220	\$24,264,660	\$24,264,660
Economic Value Added (EVA)	\$7,131,534	\$8,177,613	\$8,532,220	\$23,841,368
Internal Rate of Return (IRR)	163.3%	234.8%	251.5%	

Potential 3 Year Savings

Hard Savings = \$31 Million
Automation Savings = \$5 Million

Total = \$36 Million

	Year 1	Year 2	Year 3	Total 3 Year Savings
Total Potential savings				
Paper Storage Reduction	\$ 181,384	\$ 105,808	\$ 63,485	\$ 350,677
Electronic Storage Reduction	\$ 57,750	\$ 37,538	\$ 24,399	\$ 119,687



Payback in 4 months = 3 Year ROI 263%

- ▲ Opportunity Lost Each Day from Delay = **\$40,000**
- ▲ Annual Unnecessary CRC Expenses = **\$423,000**
- ▲ Manual Procedures Consume **41%** of Workday

- ▲ New Process Visibility and Analysis Enabled
- ▲ Major Litigation and Operational Risk Mitigated

Eliminating Electronic Discovery Waste

Case Study at DuPont

Key findings for legal discovery for 9 legal cases (small subset of total litigation):

	Pages past retention reviewed at 20 cents per page	Pages past retention reviewed at 80 cents per page
Total # of pages reviewed = 75,450,000	37,725,000	11,040,000
Total # of pages responsive = 11,040,000		5,520,000
% of pages past retention period = 50%		
Unnecessary Cost	\$7,545,000	\$4,416,000
	Sub Total \$11,961,000 ***	

Note: Only 9 cases studied, from 20% to 92% of records reviewed were past the retention period.

Note: Does not include direct costs to copy, scan, redact, review, number, ship, etc. ***

Courtesy of Cohasset Associates MER Conference and DuPont

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BPM for Active Risk & Compliance

☐ Enforce Compliance Controls

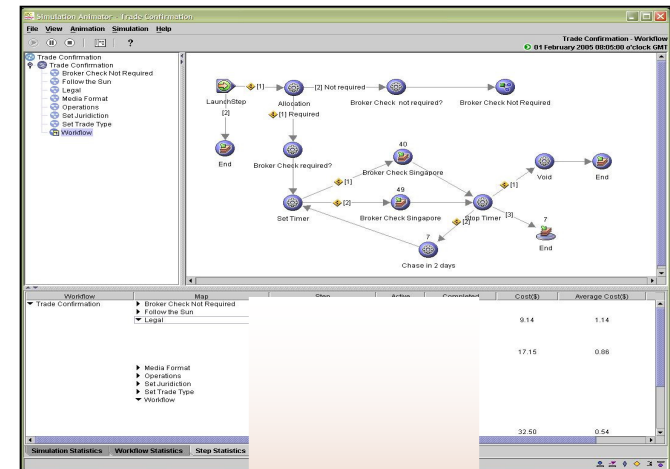
- ✓ Risk and compliance controls directly embedded into operational processes *reduce compliance costs*
- ✓ Automated records declaration and other key risk and legal activities *enforce compliance*

☐ Active Risk Management

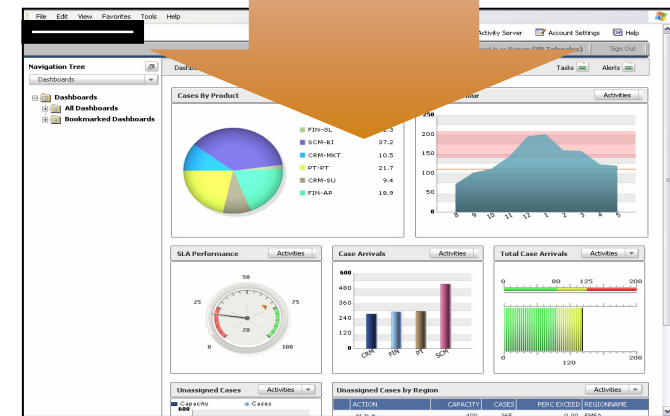
- ✓ Automated risk monitoring *reduces risk & time to response and remediation*
- ✓ Process lifecycle and full audit trails *reduce auditing costs*

☐ Monitor Key Risks and Controls

- ✓ Continuous compliance monitoring *provides real-time reporting and control analysis*



Process Automation,
Execution, and Audit



Control / Risk Monitoring

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Lessons learned from the SOX experience...

- Proliferation of internal controls
 - Large volumes become unmanageable, lose focus and incur high auditing costs
 - Use risk-based analysis for prioritisation
 - Use well-established risk-control frameworks (e.g. COSO ERM)
- Lack of records management
 - High volumes of control tests and process documentation need to be managed
 - Need to be Defensible, Auditable, Transparent
- Simple point solutions don't work in the long-run
 - High cost & lack of visibility
 - Spreadsheets don't have auditable lifecycles
 - Keep real and documented processes in sync
- Manual compliance management
 - Reduces responsiveness – huge resource and cost overheads
 - Use automation to manage compliance processes
 - Embed controls in operational processes to enforce controls and provide continuous compliance monitoring

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How Leading Organizations Are Responding

Information

2

Take back control of emails, documents, instant messages, etc ... paper too

3

Automate the costliest and riskiest processes ... collect the information from the processes

Warehousing and Storage

1

Build and manage a proper environment to collect, manage and produce evidence of compliant behavior when needed

Surround the environment with the proper long term strategy, policies, programs, data governance and organizational support

Access Models

4

Respond to legal discovery requests in a cost effective and timely matter ... shorten time to decisions

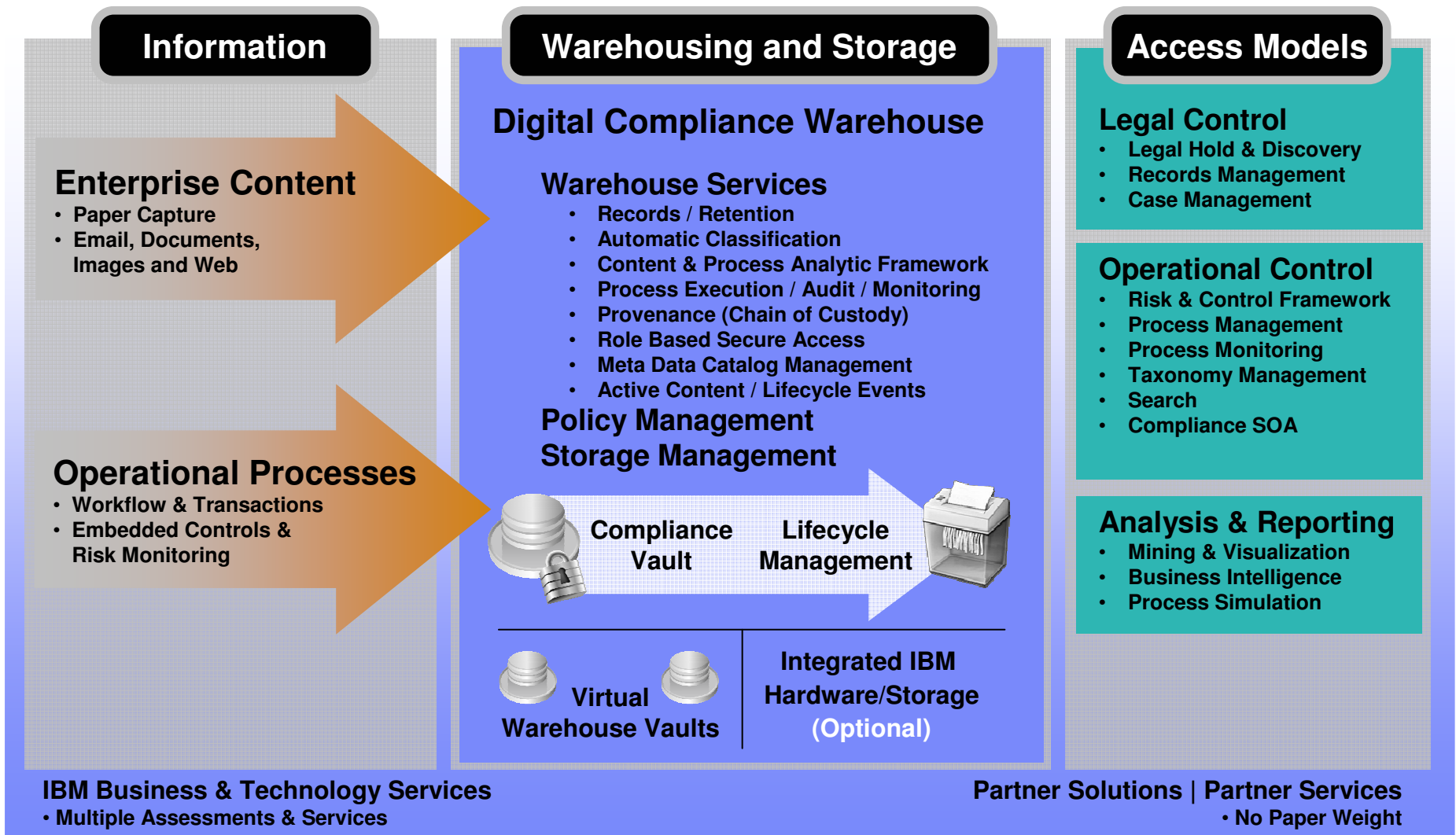
Leverage information for business advantage

Analyze, simulate and improve processes

Monitor risks and processes in near real-time

Simplified, Prescriptive, Easy To Deploy

IBM Compliance Warehouse



Simplified, Prescriptive, Easy To Deploy

How the IBM Compliance Warehouse Addresses GRC Issues



One secure vault and one infrastructure, ensures legal admissibility for many overlapping regulations and compliance, risk and corporate governance initiatives.



Automates information capture and classification without relying on end-users



Collects and manages real-time audit information, supporting management dashboards and auditing



Captures and maintains historical process lifecycle (e.g. version controls), increasing transparency



Enforces compliance controls by embedding them inside operational processes to ensure timeliness and to reduce costs and risks



Automates control execution, reducing the overall number of manual controls that need management and testing



IBM Information

>>> On Demand

June 3 - 6, 2008 The Hague, Netherlands

EUROPE, MIDDLE EAST & AFRICA IOD CONFERENCE

2008

ibm.com/software/europe/data/conf

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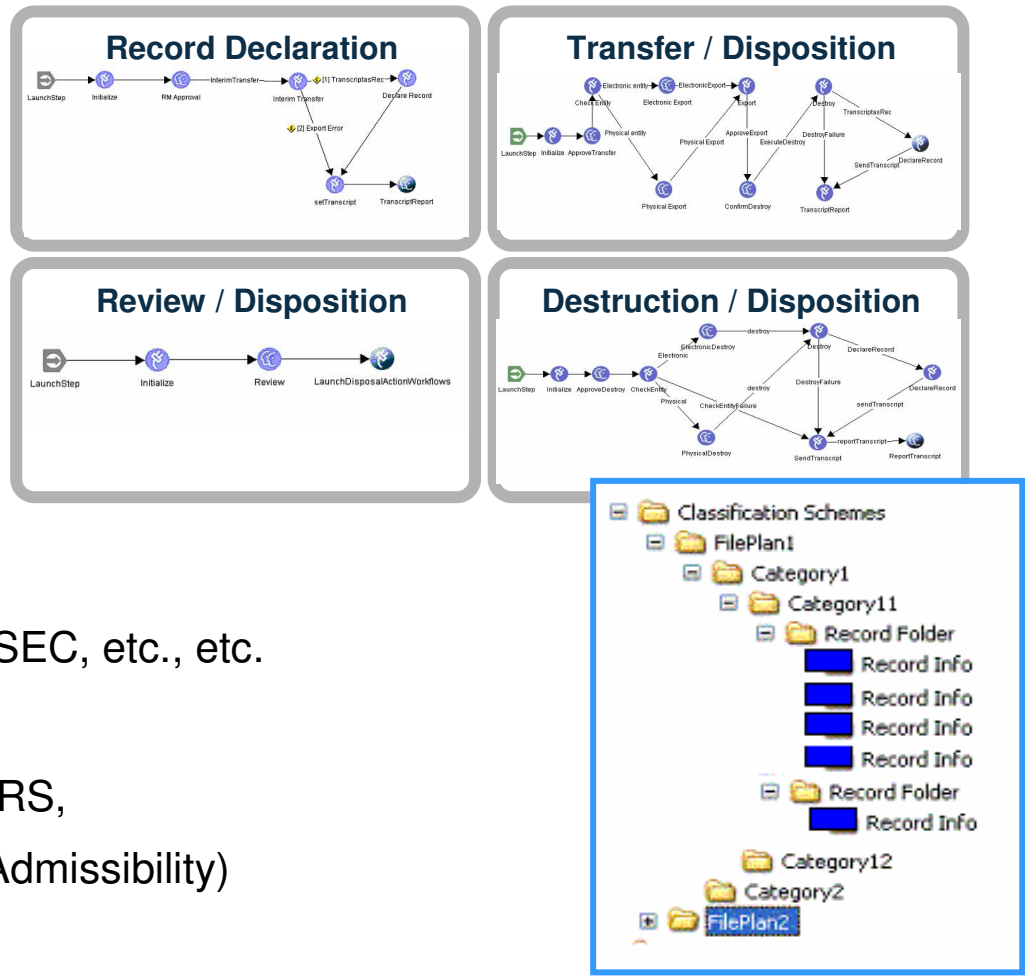
BACKUP

Information Management software



What we mean by Records Management

- Store
- Classify
- Secure
- Protect
- Dispose
- Legal Hold
- Audit
- **Why?**
 - BCM, SOX, MiFID, Basel II, FSA, SEC, etc., etc.
- **How?**
 - MoReq, DoD 5015.x, DOMEA, VERS,
 - ISO15489 (Records), ISO15801 (Admissibility)



Records Management is the cornerstone of demonstrating your compliance

Why Archive and Manage Email?



Key Business Drivers			
Archive Email for Mailbox and Storage Space Management 1	Manage Email as a Record and Ensure Compliance 2	Manage Email as Content ... Extract Knowledge and Data Buried in Email 3	Manage Email as Part of a Business Process 4
<p>To reduce operational problems introduced by the growing size of email data stores.</p> <ul style="list-style-type: none"> ▪ Manage mailboxes ▪ Increased Server Performance ▪ Faster Backup and Restore ▪ Easier Server Upgrades and Consolidation ▪ Utilize Right Storage Technology (HSM) ▪ Apply Simple Retention 	<p>To comply with regulations, produce email records when required, enable good corporate governance and facilitate electronic discovery</p> <ul style="list-style-type: none"> ▪ Enable Records Management ▪ Perform Legal Discovery ▪ Supervise and Monitor for Non-Compliance 	<p>To manage, mine, extract, organize and analyze knowledge, content and data buried in email</p> <ul style="list-style-type: none"> ▪ Manage Email as a Content Type ▪ Automate or Suggest Message Classification ▪ Use Content Analytics to Identify Trends, Risks, Analyze Data ▪ Additional Tagging and Meta Data Creation ▪ Response Suggestion or Routing of Email 	<p>To accelerate and automate business processes where email participates in the workflow or is part of the active case</p> <ul style="list-style-type: none"> ▪ Automate Workflow steps ▪ Associate Email Content to Processes, Cases and LOB Systems