IBM White Glove Events

Moderator: Tim O'Bryan
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Operator: Welcome to today's Web event titled "Financial Performance Insider Webcast: An Integrated Approach to Compliance and Risk Management." Following the presentation, we will have a short question-and-answer session. You can ask questions at any time during the presentation. Click the Ask a Question button, type your question into the open area, and click Ask Questions to submit.

If you would like to view your slides in full screen view, please click the Full Screen button located in the upper right-hand portion of the screen. If you should need technical assistance, please type your inquiry to the Tech Support box on the left-hand side of your screen and click the Send button. Or if you are dialed into the phone bridge, press star, then the number zero on your touch-tone phone.

At this time it is my pleasure to turn the webcast over to your first speaker, Mr. Tim O'Brien.

Mr. O'Brien, you have the floor.

Tim O'Brien: Thank you.

And welcome, everyone, to this installment of the Financial Performance Insider Webcast series featuring an integrated approach to compliance and risk management. This webcast series is brought to you by the Innovation Center for Business Analytics. And we're pleased to have two presenters

today – Doug Barton from IBM Business Analytics and John Kelly from OpenPages, an IBM partner.

For I transfer the microphone over to my colleague, Doug Barton, I just wanted to briefly tell you a little bit about the Innovation Center for Business Analytics and then just a general explanation of what business analytics these, and then we'll get started with the keynote presenters.

The Innovation Center for Business Analytics is a consortium of customers, a global group of customers that come together to share best practices, leveraging IBM business analytics technologies. We put together webcasts and live events and thought leadership and online communities all around those best practices that customers can leverage not only on the technology side, but also on the business practice side, so that our customers can get the most out of our business analytics technologies.

And we partner with third-party subject matter experts that are considered leading thought leaders within the practice areas of business analytics like planning, budgeting and forecasting, like financial management and control, reporting and analytics, financial analytics and strategy management.

We partner with these thought leaders, who speak at our events, whether they're webcasts or live events, and they offer thought leadership that we make available to our community. And all of this work that we do with these thought leaders, with all of our customers, produces a number of really valuable assets that our customers can leverage as they adopt our business analytics technologies.

This includes our IBM Cognos performance blueprints. These are pre-built data processes and policy models that are built around different business practices in business analytics, so they're a great head start in deploying these solutions, because they give you a baseline for really what that endgame can look like. These come free to all of our customers. They are customizable, and they're based on best practices, as I mentioned.

Other things that the Innovation Center does – I mentioned the live workshops that we literally deliver around the globe and the webcasts; you're part of one

today. We do three other series that we make available throughout the course of a year. We'll make sure everyone that's a participant in this webcast gets to all this information. We also have some wonderful customer success podcasts available. We've got a monthly newsletter and calendar of events, and I mentioned an online community.

We also run the Customer Advisory Board, and we've even expanded beyond what you see there, the Financial Performance Management CAB, to include our Predictive Analytics/FDFX CAB, as well as our Business Intelligence CAB. So it's a wonderful opportunity to hear about future product directions from IBM Business Analytics, but also have a chance to meet with Product Management, with Product Development, and help influence product direction. So it's a great opportunity to connect even more closely with folks at IBM.

And as you can tell, there's a lot of assets coming out of the Innovation Center that can be leveraged by our customer community, a great way to stay connected and always know what's coming from the Innovation Center and across IBM.

It's what we call our IBM Cognos Innovation Center widget. And this is basically a multimedia application that can sit on your Desktop and provides you access to all of this great information, including our LinkedIn groups and Twitter accounts and online communities. So we'll make sure you get that information coming out of this webcast so you can download that for your use.

Now, when we talk about business analytics, really what we're talking about is to represent a combination of skills, technologies and processes to derive data-driven business performance. Now, what does that mean?

It's really focusing on developing new insights and understanding of current business performance, and it leverages extensive use of data, quantitative analysis, predictive modeling that drives decision-making and includes skills, technologies and processes for continuous analysis of past business performance to gain insight and gain sort of an understanding.

And we're talking about advanced customer insights, analytics and data (inaudible) and risk and fraud analytics for intelligent, profitable growth, for efficiency and cost takeout and proactive risk management and includes these four major buckets of Business Intelligence – advanced analytics, financial performance and strategy management, and analytic application.

And essentially, we're just answering three questions through best analytics technologies before a decision-maker is going to make an action or taken action. And initially, you're asking yourself what's happening? How are we doing today? You're measuring and monitoring your business, typically through scorecards and dashboards, through reports and real-time monitoring, for immediate insights into business performance.

And then, once you understand how we're doing, you want to understand why, and you want to be able to drill through in context. You don't want to log in and out of multiple applications to try and find answers to why we're doing how we're doing for that deeper insight. You want to do this through ad hoc query, trend and statistical analysis and content analytics for deeper analysis of trends and patterns.

And once you've got an understanding of why, then you want to answer that last question, which is what's likely to happen? And that's true what-if analysis, predictive modeling, planning, budgeting and forecasting solutions, for foresight to plan and allocate resources.

And in total, that's really what it is when we talk about business analytics. So hopefully, that helps give you a little understanding of what it is when you hear that term thrown around. And certainly, Doug will talk more about that throughout the course of this webcast.

I did want to make you all aware, if you weren't already, of our Information on Demand Conference, which comes next week in Las Vegas, Nevada, at the Mandalay Bay resort. We also have a co-located Business Analytics Forum. The great thing about it is that if you sign up for Business Analytics Forum, you automatically get access to the Information on Demand Conference.

It's a wonderful chance to hear other customers talk about how they're leveraging IBM technology, great networking opportunities not only with just the customers that are in attendance, but also with IBM personnel as well. We'll all certainly be out there, and hopefully you can make it as well.

Other things coming from IBM Business Analytics is our Cognos 10 events that are literally going around the globe. And that starts up on November 16th in Boston, Massachusetts. We'll make sure you all get information on that. And certainly, in early 2011, look for our big Finance Forum Conference, as well as our 2011 Performance Conference.

So a lot of information I gave you – as I mentioned, we'll make sure you get all of that information in our follow-up communications. Again, encourage you to become a member of the Innovation Center for Business Analytics. There's the url right there. To become a member, you certainly can contact me at anytime. And I thank you for that. Hopefully, that was helpful for you all.

And it's now my pleasure to introduce Doug Barton, who's responsible for business analytics solutions targeted at finance at IBM. And Doug is going to talk about this increased appetite for compliance and risk management related to business analytics. It's exciting to hear from Doug.

Doug, without further ado, you have the floor.

Doug Barton: Yes, Tim. Thanks so much. It's a pleasure to be with you all. Tim, thanks so much for all that you do to help accelerate the success of our customers.

It's a particular honor to be with you today. We got a fantastic new topic, perhaps, to many of you. And it's really my thrill, I guess, to kick us off here.

I'm going to begin kind of at the highest level. I wanted to say a few words. You know, it's probably hard for you to miss, you know, whether you're walking through an airport or watching a football game or perhaps the final strokes of the Ryder Cup. You're hearing about IBM's commitment to a smarter planet. And indeed, business analytics software is really at the heart of that.

As you all probably can observe, you know, the world is becoming more instrumented, more interconnected, and with that comes the possibility that it can become more intelligent. You know, it's a cause whose time has come, and it's a real important sort of inflection point as we tried to sustain our institutions, our governments, our public sector, our environment and, you know, for the purposes of our discussion here, really to sustain our companies' commitment to driving profit and growth.

So smarter software – excuse the slide there – smarter software's really at the heart of Smarter Planet, you know, particularly business analytics software. Business analytics software is software that helps drive smarter decisions and will ultimately drive the better business outcomes that we all strive for.

Recent findings in the 2010 CFO study concluded that those that effectively apply business analytics, frankly and simply put, made more money faster with less capital. Here's some of the data from that study. And I'll just touch upon this really quick.

There is a class of high performers in the 1900 Strong Company and CFO Study that outperformed on all financial measures that we examined. This is when we compared them to all other profiles combined.

You know, these measures were earnings before interest, tax depreciation and amortization – up 20 times greater performance of that important business metric – nearly 50 percent greater revenue growth, and finally, almost 3 percent better – or 30 percent greater return on invested capital. And you'd know the millions and billions of dollars of invested capital companies have, but that, you know, what that means is stronger cash flow.

You know, these weren't our measures alone. They were really what participants in that study told us were most important to them. And clearly, these are some of the more – most important effectiveness and productivity measures that drive the creation of shareholder wealth, that gives the company the current see, the cash flow, the market capitalization to invest and grow their business and their service to their customers. So rewards are significant for investment and business analytics.

Now, I want to talk a little bit about this notion of risk. The 2010 CFO Study also revealed a gap. And if I can draw your attention to the lower portion of the slide quickly, there's a significant gap between the importance attributed to supporting, managing and mitigating enterprise risk and the surveyed CFOs' self-proclaimed effectiveness.

This gap was nearly 26 percent and, frankly, one of the largest in the study. And over the five years in which this specific question was asked, we have seen a near doubling of the importance since 2005, so clearly, risk has never been a bigger challenge than in today's business environment.

You know, whether it's the new regulations or increased globalization, business velocity and explosion of information, all organizations are really facing increasing stakeholder demands to make comprehensive risk management a top boardroom and frontline priority. And I'm thankful today to actually be able to focus on this topic with a very, you know, well-established and successful partner, OpenPages.

So before I go too far, I actually wanted to see – take a quick poll of what your experiences like with risk management.

So, (Eric), if you could share the first poll, let's have you answer this question. You know, how would you characterize the current state of your GRC, your governance, risk and compliance management efforts? There are three options there – (a) converged, (b) coordinated, or (c) siloed. If you give us some feedback, it'll be valuable.

OK. I can see the bars changing. Let's just give it a few more seconds, and we'll move on to our second poll in question. OK. Let's stop the polls there – 25 percent coordinated and 75 percent siloed.

Our second polling question, what type of technology solutions had implemented to support risk and compliance management processes – (a) spreadsheets, (b) point solutions for risk area, and (c) single integrated solution?

We'll give it a couple more seconds. OK. And we see 71 percent spreadsheets and 29 percent point solutions.

And our final polling question is this. What do you see is your company's biggest governance, risk, compliance challenge in the next year? Is it (a) addressing new areas of risk, such as privacy or strategic risk? Is it (b) converging GRC initiatives across the enterprise? Is it (c) enhancing supporting risk-based decision-making or (d) reducing the cost for improving efficiency?

So take a moment and answer that question as well. OK. Terrific. It seems like we're mostly enhancing supporting risk-based decision-making, reducing cost, and then, third, addressing new areas of risk, such as privacy or strategic risk.

OK. Well, thanks. Let's close the poll. So that's great input and, frankly, will help us calibrate our conversation as we continue our presentation.

Now what I'd like to do is actually bring your attention to some terrific news. It was just September 15th that we announced the agreement to acquire OpenPages. And OpenPages is a leading provider of enterprise governance, risk and compliance management software for global companies.

It's really a continuation of IBM's intention to grow our portfolio of important business analytics solutions that address compelling enterprise-wide business analytic challenges. OpenPages is a leader in enterprise governance, risk and compliance software. In fact, it was just this week that Gartner's Magic Quadrant for enterprise governance, risk and compliance platforms was published and affirmed its leadership position. SAP nor Oracle were not similarly recognized as leaders in this category, important category of software.

And this addresses a growing market opportunity and a growing business pain. It's an opportunity that both IBM and OpenPages, frankly, have a deep experience as we've served shoulder-to-shoulder in some of the most complex businesses around the world.

We're partnered today, whether that's across our GBS, our global business services practices, the deep OEM of IBM Cognos Business Intelligence into the OpenPages platform, or even OpenPages' reliance on IBM as a hosting partner to securely and quickly bring up OpenPages solutions for customers.

So we're really thrilled that, you know, subject to some customary closing conditions, we'll be welcoming OpenPages as an IBM company soon.

Indeed, I guess I would submit to you kind of in my, you know, near final comments here, IBM's in a terrific position to assist. A comprehensive industry-specific know-how that we bring, you know, to our customers is now instrumented also with world-class technology for enterprise in integrated risk management.

We have a deep commitment, as you know, to strategic sponsors of risk management as well as performance management initiatives. That would be in the office of finance, IT organization that supports finance, or even compliance and risk managers.

And finally, a value proposition that'll be without equal here, today with our partner, OpenPages, we can drive a big impact in a more sustainable way. You know, this core kind of captures some of the promise here. An integrated approach to risk management can have substantial benefits. These talks a bit about the cost side of the equation, but indeed there are substantial benefits in the, you know, visibility and control that's provided across all risk management domains.

So my final comments, actually, I'm going to summarize really on this page. You know, it's really, you know, humbling, but also gratifying that I get to work with so many smart people and terrific customers that rely on our solutions for financial performance and strategy management, and in the future, governance, risk and compliance software.

These are other solutions that we focus on in the office of finance. IBM and our partner, OpenPages, here really stand ready to assist in a very comprehensive way with this comprehensive array of business analytics solutions for finance.

You know, so with that, Tim, I'd like to turn the session back to you, really, for John's keynote presentation.

Tim O'Brien: Super. Thank you, Doug. Appreciate that.

And I am pleased to present to you all John Kelly, who is director of product marketing for OpenPages, an IBM partner. And John's going to talk about the integrated approach for compliance and risk management and the need for it, especially given regulatory oversight increasing.

And he'll talk a little bit about how companies are struggling with it, and certainly the efficiencies and business profit improvement that can be realized through the convergence of these technologies, and how integrated reporting can provide an enterprise view of the risk exposure, and certainly the benefits of this type of integrated approach.

So without further ado, it's my pleasure to introduce John Kelly, director of product marketing for OpenPages.

John?

John Kelly: Thank you, Tim. And thank you for inviting me to today's discussion. It's a pleasure to join you.

As Tim mentioned, I want to share with you some thoughts today on the, I'd say, tactics and potential benefits of taking an integrated approach to compliance and risk management. Interesting to note in the poll that Doug just conducted, that a large majority of you, 75 percent, have what you would consider a siloed GRC initiative, whereas, you know, the biggest challenges that you see in the coming year are kind of centered around improving effectiveness, supporting risk-based decision-making, and then reducing costs through improving efficiencies.

And really, you know, what we want to talk about today is how an integrated approach, and integrated information infrastructure, if you will, enables you to improve those efficiencies and how really without an integrated and

consolidated view of risk and compliance across the enterprise, you really are unable to make accurate business decisions. You know, if you don't have a complete picture of your risk exposure across the enterprise, how do you make effective decisions?

So we'll cover a lot of ground today. But two key points I'd like if you – to take away today – number one, that an integrated approach to risk and compliance really helps you to develop a consistent framework across your risk and compliance activities, which then can lead to reduced program cost, reduced redundancies, and improved transparency into risk exposure; and then, secondly, that this integrated risk and compliance information infrastructure can really enable your business line managers to conduct ad hoc queries, as Tim mentioned early on, and help planning to make better decisions to improve business performance.

So if we'd just take a step back from it just to review some of the challenges that are driving companies to redesign and retool their risk and compliance information infrastructure – excuse me – so as noted in the slide, these drivers include increased regulations and regulatory oversight, really, across the globe, and most recently resulting from the financial crisis of 2008.

In the U.S. particularly, financial services companies are bracing for the fallout of the Dodd-Frank law, which was put into act in July and whose ramifications will really be felt over the next several years as the rulemaking progresses.

Earlier in the year, the SEC also recently passed the proxy disclosure rule, which places increased accountability and responsibility of the board of directors with respect to risk oversight. And regulations – it's really not limited to financial service companies.

There are considerable new regulations we're seeing being introduced in insurance with solvency, too, in health care, where they have a new Health Information Technology Act. There were a new regulations for IT governance and data privacy regulations increasing with the onslaught of e-

commerce and social media – so across the board, across the geography, increase in regulation.

And at the same time that there is increased regulation, there's also an increased awareness and desire from the business managers to use risk and compliance data for better decision-making and for risk-weighted resource allocations, so taking a risk-based approach to making decisions about where to allocate their capital and resources.

So if you think about it, risk and compliance management has evolved in many companies and is evolving from a reactive, mandatory exercise being performed by the risk committee or office of compliance to a more strategic corporate planning process in which business managers are using risk data and analytics to make better risk-adjusted decisions that lead to improved business performance.

So now the challenge in many companies, however, is that, as we saw in the poll, traditionally, risk and compliance activities have been managed in separate, siloed spreadsheets, share point servers, and kind of custom point solutions, which are really unable to provide a consolidated view of enterprise risk exposure and which fail to deliver a complete or accurate view of risk in the business from which senior executives and business managers can feel confident in making decisions.

So the bottom line is an integrated risk and compliance management infrastructure provides a complete picture of risk in the business and could lower the cost of your risk and compliance program significantly. So I'm going to dive a little bit deeper into some of these topics.

So as we've seen with Dodd-Frank, it's clear that we can expect landmark legislation globally to address the risk management failures of the financial crisis. As I mentioned, the SEC has been stepping in. You've seen them stepping pretty aggressively lately. And we're seeing regulations in health care and Medicare.

But beyond the congressional action, were also seen lots of evidence of current regulators cracking down under their existing mandates, as you can

see several of the regulators listed here. In other words the regulators are not waiting for congressional action. The OCC, for instance, which is the Office of the Comptroller of the Currency, which, you know, regulates and supervises the national banks – they have been very aggressive about prescribing changes to current risk management practices.

And this is true outside of banking as well. The CMS, the Centers for Medicare and Medicaid Services, has become increasingly prescriptive. And we're hearing from a lot of our health care customers that are looking for assistance with meeting these seamless obligations.

So clearly, the period of deregulation is over, and the need to efficiently and effectively comply with the new and existing mandates is increasing, as they are becoming a significant cost to the business, whether that means daily operational costs or in penalties and fines.

So if we just take a step back and look at how companies managed risk prior to the financial crisis, we can see that operational risk, market risk and credit risk, as examples, were largely managed separately and in silos.

And now moving forward, what we're seeing demand – we're seeing demand from our customers already is that there would be a much greater degree of convergence between operational market credit and other risks, with operational risk management really becoming the integrating function, as it is – it's not sufficient to manage market and credit risk without considering the operational risks involved.

So let's take a look at an example. Take, for instance, credit. The credit risk domain has evolved considerably and matured quite well over the past 20 years, and global regulations have focused on this domain through many different regulations. Basel II, in particular, has formalized and globalized credit risk standards.

So what's happened in 2008? The problem, really, in the case of the 2008 financial crisis and the subprime mortgage collapse was that operational and systemic risks that could impact of the probability of default and loss were not considered. Or if they were, they were ignored.

So in some cases we know of financial services institutions that did identify and manage operational risk and were able to avoid much of the downturn and losses, while other examples were the financial services institutions did have an effective operational risk framework in place, yet they did not heed the warnings.

And then in some cases, as we know, it was just a small offshoot investment arm that was making risky bets, which brought down the rest of the company, but they still could have been avoided, had an effective risk and control framework and, more importantly, a top-down culture, been implemented.

So the primary challenge that most of our customers face today with regard to their risk management – compliance management information infrastructure is that it's fragmented across both the systems and processes. Most customers, as we see in the poll today, had multiple data marks, share point servers, custom point solutions, spreadsheet, and they support disparate yet parallel activities.

So in many cases aggregating risk and compliance information for senior management, the board of directors, the risk committee is really on an ad hoc basis. And supporting business managers with timely information on this exposure is often a custom activity.

So where to begin? As kind of a first step, we tell our customers we should be looking to put in place an information architecture that can quickly and accurately serve up risk and compliance exposure information.

Also, with the scope of the Dodd-Frank rulemaking in particular, we suggest that we're going to be in a very dynamic regulatory environment for a long time, so companies would do well to make sure that this information architecture can adapt to change over time.

In fact, we've seen implementation with static frameworks for regulatory compliance could be actually be for the object – the project is finished. So if you're looking for a solution, you'd do well to make sure it is able to adapt and extend over time.

So what do we mean exactly by a siloed approach? Depending on what type of business you're in, there could be, you know, literally, hundreds of regulations and laws that your company is required to comply with. And then there are all the internal policies, from HR hiring standards to IT security and governance standards and so forth.

So to ensure compliance, reduce redundancies and lower costs, your information infrastructure should be able to provide an enterprise-wide view of compliance so that you can get a clear picture of all the laws, the regulations and the mandates applicable to your business, and to manage them holistic leap across the enterprise rather than indiscreet programs or silo approaches, because that typically lends itself to overlap, inefficiencies, and really there's no way to really understand the commonalities that exist between multiple laws and regulations with any siloed approach.

So an integrated approach allows you to manage the risk and compliance processes across the enterprise and across multiple laws and regulations, and to do this with – from within a strategic business perspective rather than indiscreet, siloed programs, which again lends itself to redundancy and inefficiencies it also makes it much more difficult to roll up the result of that data to get that full enterprise view of compliance.

So ultimately, you know, it all comes down to reporting and supporting senior management and the board of directors, this committee, et cetera, as they need visibility into noncompliance exposures and overall program effectiveness. And an integrated approach can help you provide that visibility, the transparency, as well as reduce the number of controls, the number of controlled testing, and provide better outcome.

So, really, an integrated approach to risk and compliance management enables risk committees, compliance executives and business managers to understand the true risk exposure across the business and across all the risk and compliance domains and to understand the relationships between the risks and between the laws and regulations so you can harmonize those controls.

And secondly, the compliance managers, risk managers and line managers have at their fingertips the right information to make the right decisions to improve business performance.

In terms of convergence, an integrated management approach also delivers significant improvements in efficiency and business processes, right, by enabling a clear, single point accountability for oversight of compliance and operational risks by providing a risk management methodology that converges the needs of compliance, operational risks, Sarbanes-Oxley, and enables efficiencies to be gained there.

In, for example, having – one complaint we often hear is the number of assessments can be overwhelming. Having one assessments serving multiple purposes, such as operational risk control assessment, you know, regulatory compliance assessment, Sarbanes-Oxley, many times these assessments ask the same or very similar questions and can be a major time sink for managers.

And then lastly, efficiencies on time and resources spent on data aggregation, collation, reconciliation can be expensive when you're working with multiple data marks and spreadsheets.

So from an executive level, or if your role is to support senior management and the board of directors, the events of the last couple of years have taught us that companies have to better manage risk moving forward. And we believe that the market will demand this. We're seeing that investors, lenders and the board and the government are all demanding better visibility of the state of risk in the business.

And OpenPages provides the visibility and transparency into the risks and compliance exposure in the business. We also support the entire lifecycle of the risk management process, which starts out with the identification of risks in the business. And as you can see in this dashboard in this example, a risk assessment status legs risk managers know where they are in assessing the risks across the business.

The risk rating dashboard provides quick visibility into the key risks in the business, and the issue status provides managers with a view toward open

issues across the different risk categories, so that in this way OpenPages becomes the single system of record and the tool to drive systemic or repeatable risk and compliance management improvements.

So as your company evolves from a reactive risk and compliance exercise to leveraging risk data and analytics in a strategic decision-making model, policies, risks and controls must be aligned to key business performance. So it's not just a matter of identifying risks and put a control in place. Those controls and policies must be aligned with your business objectives.

As we've discussed, the regulatory landscape is growing and getting more complex, but resources are getting tighter, and no company can focus equally on all of regulations, so there needs to be a programmatic way to determine prioritization and, again, to ensure policies, risks and controls that are aligned with business objectives.

So, OK, empowering line management. As risk management moves from that corporate function to one embraced by the business, companies are looking for ways to support line management in their role as a risk manager for risk identification, management and monitoring.

So, for instance, let's assume your business strategy is new product introduction to capture greater market share, and the business manager is considering a new product. This new product will be supported by, let's say, a number of processes.

Let's say it's going through an indirect channel, and the business manager pulls up a risk assessment on this particular partner and finds out that they're not well-capitalized and probably would not be able to support the investment required to take on this new product. Consequently, the product launch is redesigned, and a new channel is identified.

So in this way business line managers can use the risk assessment data to help them make better decisions and where to allocate their resources.

So hopefully, you can see that an integrated approach to risk and compliance management enables policies, risks and controls to be aligned with the

business objectives, provides a consistent framework across your risk and compliance activities, which, again, beads to reduced program costs. It also provides tools and intelligence to improve business performance.

So let's take a look at where you should begin in 2011. So I'm not trying to suggest that you implement a single system for all risk and compliance programs on day one. We recommend a phased approach, where you identify one or two key projects and expand your program from there.

But before you go any further, it's critical to the success of the project that we've seen many times to get cross-functional and cross-departmental buy-in to a single-risk text harmony and methodology so that rolling up the risk and compliance data will be relevant and meaningful as you try to combine those multiple risk and compliance domains.

So lastly, you should consider a technology platform that is extensible as you add on more risk and compliance domains and as your existing needs evolve. Remember, we mentioned early on in the discussion about Dodd-Frank, how it will evolve in the next two years. If you don't have a solution that is flexible and configurable, then you could be stuck his regulations change and as new ones are introduced.

So OpenPages provides a platform, the OpenPages platform with modules for operational risk, for regulatory compliance, IT risk and compliance, internal audit, financial controls, all on a single platform. The platform is extensible.

We've expanded it for solutions in data privacy, business continuity management, vendor risk management, but most importantly, the platform extensions and the product modules are configurations on top of – take advantage of the same core shared services, such as a single database, security of reporting workflow, document management, et cetera, so that you can get that single view, you can get that integrated reporting workflow across the whole platform.

So real quickly, OpenPages FCM, or Financial Controls Management, we have a large number of installed basis (inaudible) and other to help compliance with Sarbanes-Oxley and other worldwide financial reporting,

regulations. We see a natural fit with the IBM financial performance management solution through OpenPages FCM and it's risk-based materiality scoping.

You can think – you can think of a scenario whereby an executive sees slower performance in their division and brings up the OpenPages solution to find that they also had a lot of material weaknesses from the audit flow of fines for violating compliance rules and realized risk due to poor controls – again, the natural fit for we are combining risk compliance and audit intelligence and controls with financial performance management.

OpenPages ORM – we've been very successful in large banks across the world, helping them with the Basel II requirements and achieving AMA certification. It automates the process of identifying, measuring, monitoring all the operational risk and combining all the data from the risk and control self-assessment, the loss events, the scenario analysis, the external losses, the key risk indicators, into a single, integrated solution system.

OpenPages ITG is IT Governance or IT Risk and Compliance. And it's enabled organizations to sustain compliance across multiple IT best practice frameworks and regulations. So with OpenPages ITG, you can map IT policies and standards to authoritative sources such as ISO, CoBIT, PCI, HIPPA, NIST, et cetera. And we also recently partnered with Network Frontiers to integrate the Unified Compliance Framework, or UCF, with the OpenPages platform, which delivers a comprehensive IT compliance database.

OpenPages GCM, or General Compliance Management, is our integrated solution for managing your regulatory and policy compliance and, you know, major components we've talked about today, the regulatory compliance tracking programs throughout the company, focused on complying with laws, regulations and industry standards, providing regulator interaction – we're seeing a growing need for this, where we're managing activities associated with the regulators, such as exams, audits, increase, et cetera – fully integrated policy management, where you can manage the lifecycle of policies from creation, review and approval to policy awareness and training and providing

a number of metrics and indicators for monitoring your key compliance indicators against thresholds and targets.

We also have an integrated audit module, which provides auditors a chance to supplement risk and compliance management activities and really provide the independent assurance with the ability to define, plan, execute and report on audits across the business.

Lastly, the platform – as I mentioned, all of the models and extensions share a common platform with a number of shared services from document management to content management, audit trails, workflow, security and reporting, publishing, in a highly configurable environment. We have a patented platform, which allows you to make edits through the user interface that are immediately reflected in the data model, so that then you can then create reports that show those changes immediately without writing any custom code, which is very important as your program evolves over time.

It creates a single repository and consistent means for managing all your risk and compliance elements, including your frameworks, your libraries, your policies, et cetera, and key risk indicators and more. And they all share the same core database and services, so integrated reporting and workflow can be provided across all of your risk and compliance domains.

So as Doug mentioned, IBM has announced intentions to acquire OpenPages. You may not have known that IBM and OpenPages have been working together since 2006 as an advance business partner. OpenPages is an OEM for the IBM Cognos Business Intelligence. All of the great reports and dashboards and intelligence that you get through OpenPages is provided or powered by IBM Cognos Business Intelligence. And we also use IBM hosting services to help our clients with deploying OpenPages software in a secure manner.

We're also a partner. IBM OpenPages is a partner to deliver the core data management system for the Operational Riskdata eXchange Association, or ORX. And this is a consortium in Switzerland of over 55 major banks, where

they share loss data, and OpenPages and IBM is the web-based portal for providing that sharing of data.

So the acquisition of OpenPages really helps expand IBM's business analytics capabilities into supporting the compliance and risk management processes, as I mentioned earlier on, and the result being kind of integrated, aggregated enterprise-wide picture of all exposures, helping your CFO and your CIO understand how these risks can impact the organization's future performance.

As Doug mentioned, this past week Gartner published the 2010 Magic Quadrant for the enterprise (TUC) platform. And within that report, they mentioned that many vendors are looking toward the next market phase, which includes adding the integrating with business performance management and scorecarding capabilities. And we see the acquisition as a natural fit that really underscores the need to use risk management as a core component of corporate performance management, as mentioned earlier.

And if you wanted to check out that report, you should go to OpenPages.com. You can download a copy of that 2010 Magic Quadrant.

So you may recall that earlier on I mentioned that customers have been requesting an integrated view of multiple risk domains in a market credit operational risk following the mishaps that led to the financial crisis. OpenPages and IBM have been working together for some time now to deliver what's called integrated risk management, or finance and integrated risk management across multiple risk domains.

We're leveraging our expertise in operational risk management and IBM's expertise in business intelligence and business analytics. The combined OpenPages and IBM firm solution integrates risk management with business performance data and analytics to provide, really, an industry first view of aggregated risk and performance metrics.

And as you can see, the form – term "dashboard" here provides BI content and metadata leveraging multiple backend forces and showing credit risk, operational risk, market risk, financial reporting also on a single dashboard, and OpenPages is providing the operational risk content in this dashboard, as

Shawn highlighted, by the red oval. So if you would drill down on that tab, you'd be brought to a number of additional operational risk dashboards and reports within the OpenPages solution, again, built on the Cognos 8.

So combined with the IBM firm, the solution provides integrated risk reporting of quantitative data and the qualitative risk assessment of the process and control environment across multiple risk domains – again, market, credit, operational, compliance, as well as audit – and so that risk managers now can rely on increased transparency in decision-making do this dashboard to help them make better decisions for improving their business performance.

So with that, I hope you've found today session to be of value and that you agree that, number one, and integrated approach to risk and compliance management enables this committee's compliance executives, business managers to understand true risk exposure across the business and understand the interrelationships between the risks and laws and regulations; and secondly, that compliance managers, risk managers and line managers have at their fingertips the right information to make the right decisions to improve business performance.

So with that, I'll turn it over to Tim. I will let you know that we are available at the IOD Business Analytics Forum next week at booth number G123.

And, Tim, I'll let you take it away.

Tim O'Brien: Great. Thank you, John.

We do have a number of questions that have come in, and I'll just get started right now. The first question is how well do you think financial organizations have implemented effective software solutions to calculate, track and manage risk?

John Kelly: I can start with that. I think it varies. Certainly, the large major financial services institutions have been working for some time on the credit domain and, as I mentioned, the Basel II requirements and AMA certification.

And, you know, we saw – we've seen a lot of our large customers that are using OpenPages Operational Risk Management very effectively. Some of them were able to avoid much of the downturn the past couple of years, whereas others, who may have used the – that may be a user of the solution, really it comes down to what is that top-down culture.

Is the – are the fee level executives really enforcing a risk aware culture? Are they really promoting everyone having a risk aware conscience and driving that down to the organization? So it's only – technology can only go so far, if it's not a culture that promotes it.

Tim O'Brien: So you're seeing, John, in a lot of instances that, you know, some companies may have a – have risk management practices in place; they just don't have a technology integrated with their existing business analytics software, let's say, to facilitate that process. It's done through discreet or silo solutions, and a lot of processes, additional processes, which extend the decision-making time period. Or is it also you're seeing that those risk management practices aren't in place at all?

John Kelly: No, I think it's more of the former. Certainly, everyone would like to get to that point where they have the, you know, the integrated solution and understand the value of it. It's just, you know, as I mentioned earlier on, it's not something that most companies are willing to take on wholesale. They need to start with certain one or two key projects, whether it's a risk compliance initiative, and then set a roadmap to pulling out the rest of the deployments.

So, yes, it's certainly at the top of the minds of the risk and compliance officers that we speak to, and it varies, of course, in terms of how many – which companies have actually been successful or to what degree of the maturity path they are along, but certainly, a goal that, I think, universally these companies view as a, you know, goal they would like to achieve.

Tim O'Brien: And I think that's a perfect lead-in to this next question, which is what are the key critical success factors for implementing software to support effective risk management?

John Kelly: Well, again, I think I mentioned earlier on that the key first step is having a common text harmony or methodology.

You know, if you think about the siloed approach, where you have an operational risk team, you have a financial control team, you have an auditing team, you have an IT risk team, and they're all doing a great job of what they're doing, and then as you try to converge them or bring them together to provide more of a unified approach, they all need to get to the same table and agree on, OK, this is how we will define, you know risk. This is how we will assess. This is our appetite. This is how much – this is our tolerance level, and this is how we will control and mitigate those risks.

So there needs to be that common agreement at the top; otherwise, the rolling up the data later on will be less relevant or less meaningful, because you'll be coming at it from different definitions. So definitely, the first step is to all come to agreement on a common text harmony and methodology around risk.

Tim O'Brien: You know, relating to that top-down executive sponsorship and backing of this type of initiative, if you will, how do you get senior management, whether it's internal audit or risk, using the software tool?

John Kelly: Well, I think, you know, what we've seen that has been a very successful model is that one of our customers will on a monthly or quarterly basis, the risk management, the risk committee, the compliance officers, will sit down, whether it's at a senior management monthly meeting or at the board meeting, quarterly board meeting, and they will review their risk dashboards, their heat maps, and understand, OK, these are the risks that we view as highly likely and highly impactful, and let's review our performance against mitigating those risks and, you know, our controls that are in place.

So, I think, if you start with providing by executive level exposure to the reports the dashboards, then they get more comfortable with using the solution. And that's really where you need to start, because it's really – it needs to be driven from the top down in terms of the culture in terms of the solution. So, you know, having that type of executive level meetings – and

really, that's where it should start anyway – the executives should be creating, you know, the guidance around what's the risk appetite and tolerance levels.

Tim O'Brien: OK. OK. And then, let's call then high-performance companies, those companies that are doing it right, if you well, where do you see independent monitoring ideally residing? That's internal audit versus risk management. Where does that really belong?

John Kelly: It kind of varies. I would say, traditionally, we see the auditors providing the independent assurance, as it has been very successful, I think.

That said, the auditors – the auditing team needs to be a fully integrated part of the team, you know. They can't just be a separate – it's important for them to have independent assurance and independent decision-making and reporting, but they also need to be part of the team that helps drive improvements.

So it's not just a – you know, they're not just there to raise red flags; they're also there to help make a better decision and improve performance.

Doug Barton: John, I think, if I can add, you know, it's one of the things, I think, we've recognized more than, you know, more in this age than perhaps in previous, is that the risks exist within processes at the frontlines in the business as well.

And if we can create a first line of defense – that is, the business owners – that everyone will be better off. We'll be able to sustain our businesses at lower cost. We'll catch risks faster and avoid unexpected losses.

And I think, you know, while, you know, all this kind of ties back to the motivation for senior management, one of the motivations is reducing costs, but it's also eliminating exposure to catastrophic operational risks that can cost dearly.

Whether it's my relationship with a customer and their data or my relationship with, you know, my trading partners, you know, it's affecting the cost of capital of certain firms, everything from, you know, S&P ERM ratings, which affect ratings for debt and the like.

So I think senior management is more attuned to this as having real, measurable cost, if we don't have an effective program. But the frontlines of the business plays a pretty special role, in addition to the sort of traditional risk management and audit role as well, Tim.

Tim O'Brien: Thanks. Right.

Now, if the markets recover tomorrow, does this change people that – organization's appetite for risk management practices? What do you think about that? Let's say the game changes tomorrow. Will companies still need to focus on these kinds of risk management practices?

John Kelly: I don't think it changes, and I think we're seeing that particularly on the increase in regulation, there is no turning back at this point. It is great business practice, but it's also required.

You know, we're seeing that the board of directors is really – you know, they've really become accountable for risk oversight and compliance oversight. And so, you know, even if, you know, the market rebounds immediately, there's still – and there always will be, I believe – you know, there's this increased awareness and exposure into the need to manage risk and compliance in your business as not only this mandatory exercise, but also now just managing your business well.

And so, you know, performance management is going to be tightly integrated with risk management moving forward. And I don't see it going away.

Tim O'Brien: You know, it looks like we're out of time. There are a few more questions. We'll certainly make sure we get back to everyone that submitted a question. I apologize, though. We're out of time. It's the top of the hour.

I want to thank everyone for joining this financial performance insider webcast series today featuring an integrated approach to compliance and risk management.

I want to thank our two presenters, Doug Barton, who's responsible for business analytics solutions targeted at finance at IBM, and John Kelly, director of product marketing at OpenPages.

Thank you, everyone, for joining us today. As I mentioned, we'll get all that information I talked about at the beginning of the webcast out to you all. And we appreciate your time. And enjoy the rest of your day.

Operator: That concludes today's presentation. You may now disconnect.

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