IBM Finance Forum 2012
Smarter Analytics. Smarter Outcomes.

Patrick Lim CPA CGMA
ASEAN GRC Leader

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

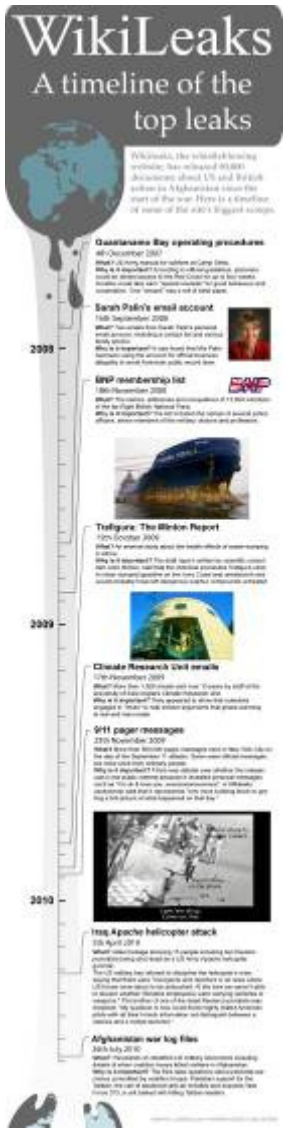
Better Business Outcomes with GRC

Lower costs, reduce redundancy and improve efficiencies by rationalizing your information architecture

Deliver **consistent** and **accurate** information about the state of risk and compliance initiatives to assess exposure

Improve **decision making** and **business performance** through increased insight and business intelligence

Growing Demand for Greater Transparency Into Risk Exposure



STANDARD &POOR'S

Moody's

United States Government Accountability Office
GAO Report to Congressional Requesters

August 2010

WHISTLEBLOWER PROTECTION

Sustained Management Attention Needed to Address Long-standing Program Weaknesses

SEC proxy disclosure rules require a transparent approach to risk management

"Disclose the extent of the board's role in the risk oversight of the registrant, **such as how the board administers its oversight function**, and the effect that this has on the board's leadership structure."

SECURITIES AND EXCHANGE COMMISSION, 17 CFR PARTS 229, 239, 240, 249 and 274

The stakes are enormous

The New York Times
nytimes.com

Jan[illegible] 2008

$7.1 Billion Fraud Uncovered at Société Générale

By DAVID JOLLY

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 p[illegible] through a sche[illegible] transactions."

The bank said the fraudulent p[illegible]t has been thoroughly investigated and found to be a case of "isolated fra[illegible]

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

UBS: Rogue trader causes up to $2 billion in losses

By Victoria Howley and Emma Thomasson
LONDON/ZURICH, Sept 16 | Thu Sep 15, 2011 7:20pm EDT

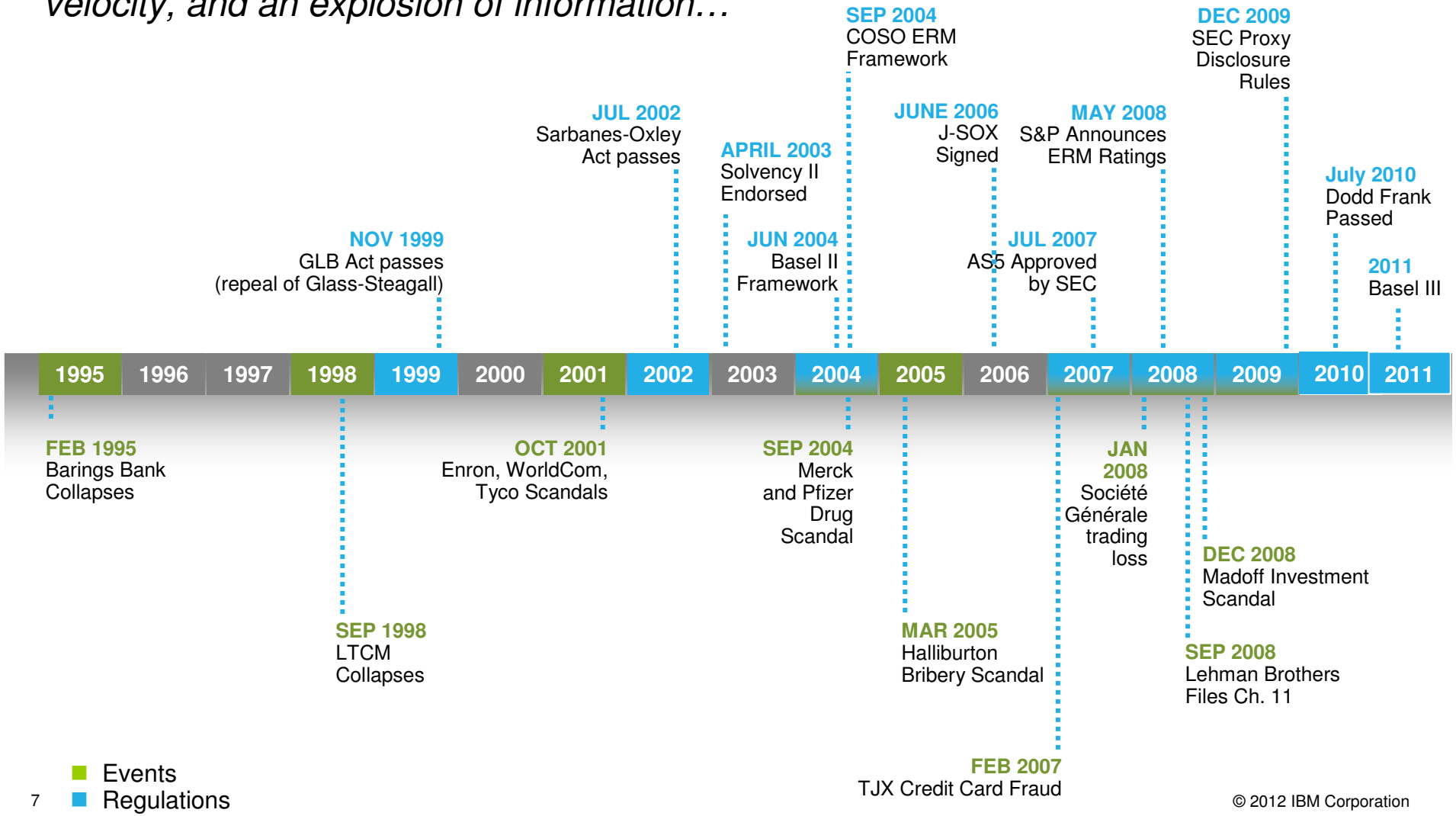
(Reuters) - Swiss bank UBS said it had lost aroun
$2 billion due to rogue dealing by a London-based
trader at the Swiss bank and

Since the news broke, questions have emerged about the efficacy of UBS's risk-management and risk-control systems, which were overhauled in the three years since the Swiss bank had to write down $50 billion in securities trades.

The loss is a major embarrassment for a bank that was still working to win back client confidence following its near-collapse at the height of the financial crisis in 2008.

Risk has never been a bigger challenge than in today's business environment

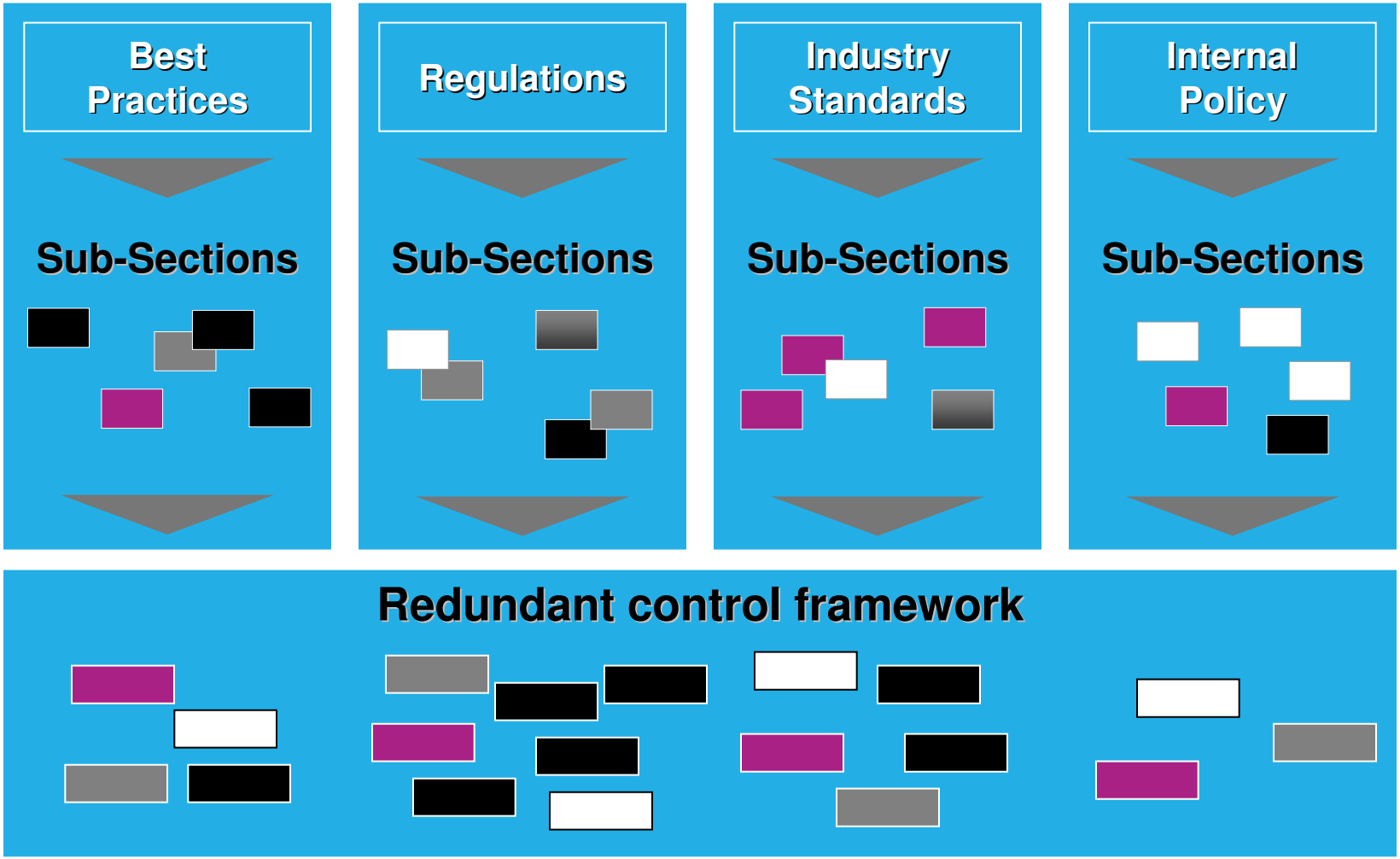
…new regulations, globalization, increased risk and business velocity, and an explosion of information…



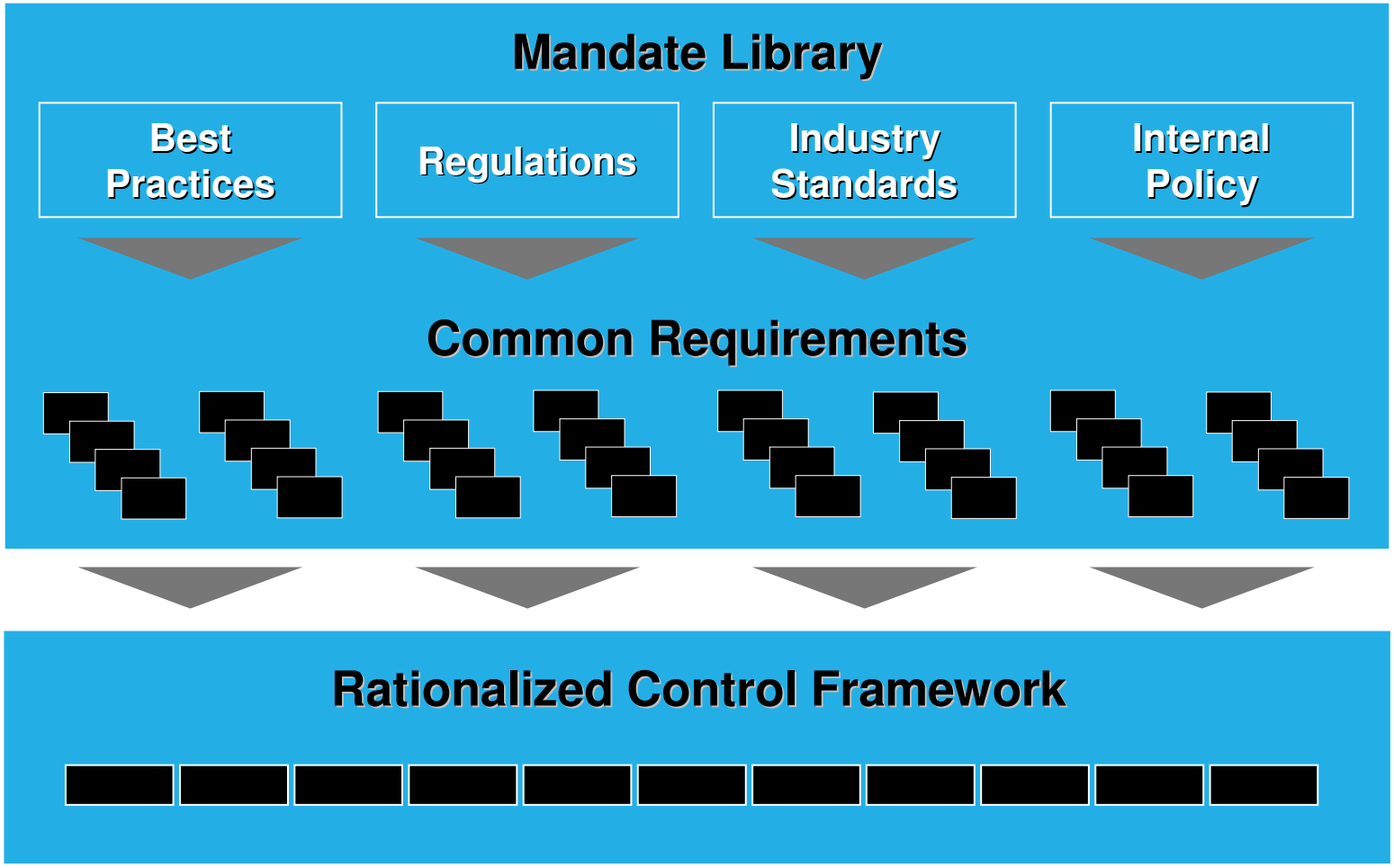
Most companies cannot keep pace, and we can expect continued evolution

- New regulations doubling every six years
- Most process controls and risk management implemented manually
- Risk management focused on compliance not performance
- Compliance focused on regulations, no value add

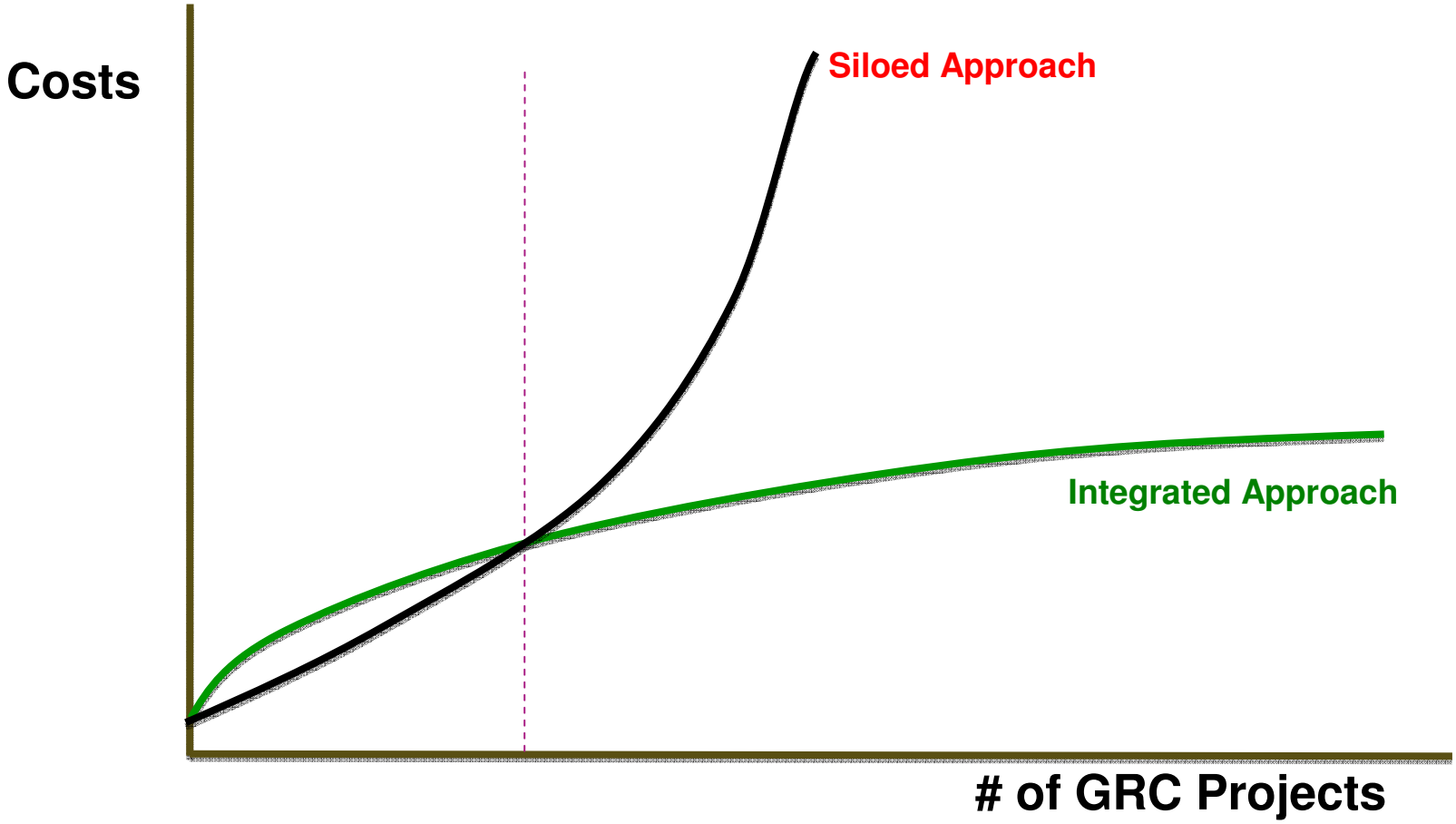
The Siloed Approach



The Integrated Approach



The Siloed vs Integrated Approach



Example: Many regulations have common requirements

Sarbanes Oxley

- Conduct risk, threat and **security vulnerability assessments**
- Design, implement and audit appropriate **security controls**

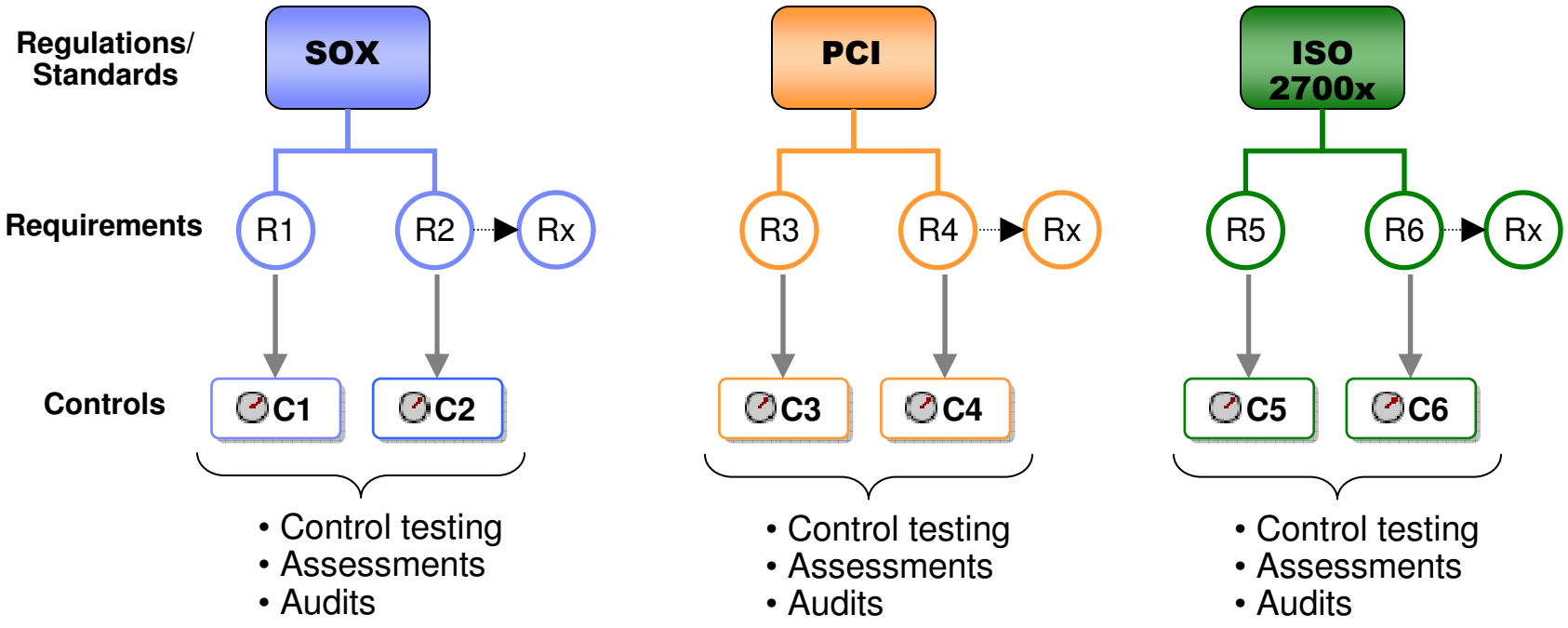
PCI DSS Requirement 6.6

- Ensure that all web-facing applications are **protected against known attacks**
  - Have all custom application code reviewed for common **vulnerabilities**
  - Install an **application layer firewall** in front of web-facing applications

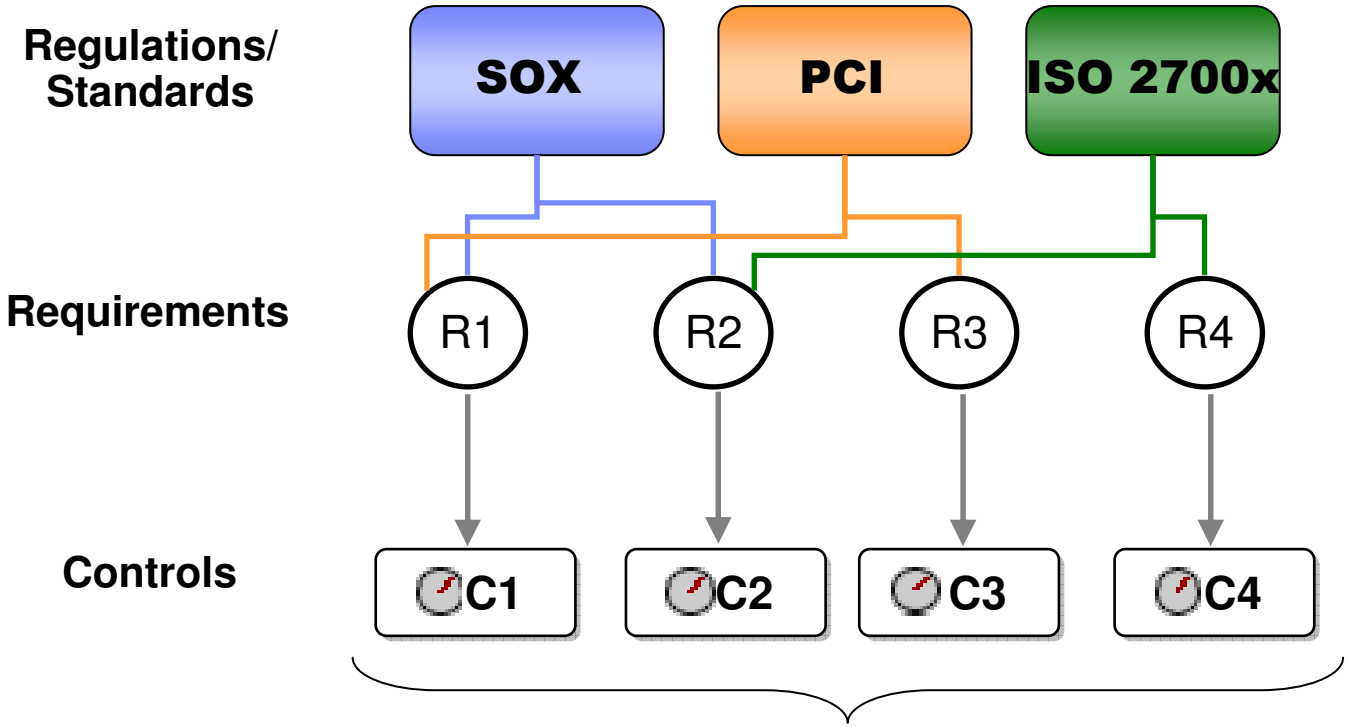
HIPAA Security Rule

- Implement appropriate **security measures** to address the risks identified in the risk analysis;
- Maintain continuous, reasonable, and appropriate **security protections**.

Example: Managing regulatory requirements in a silo

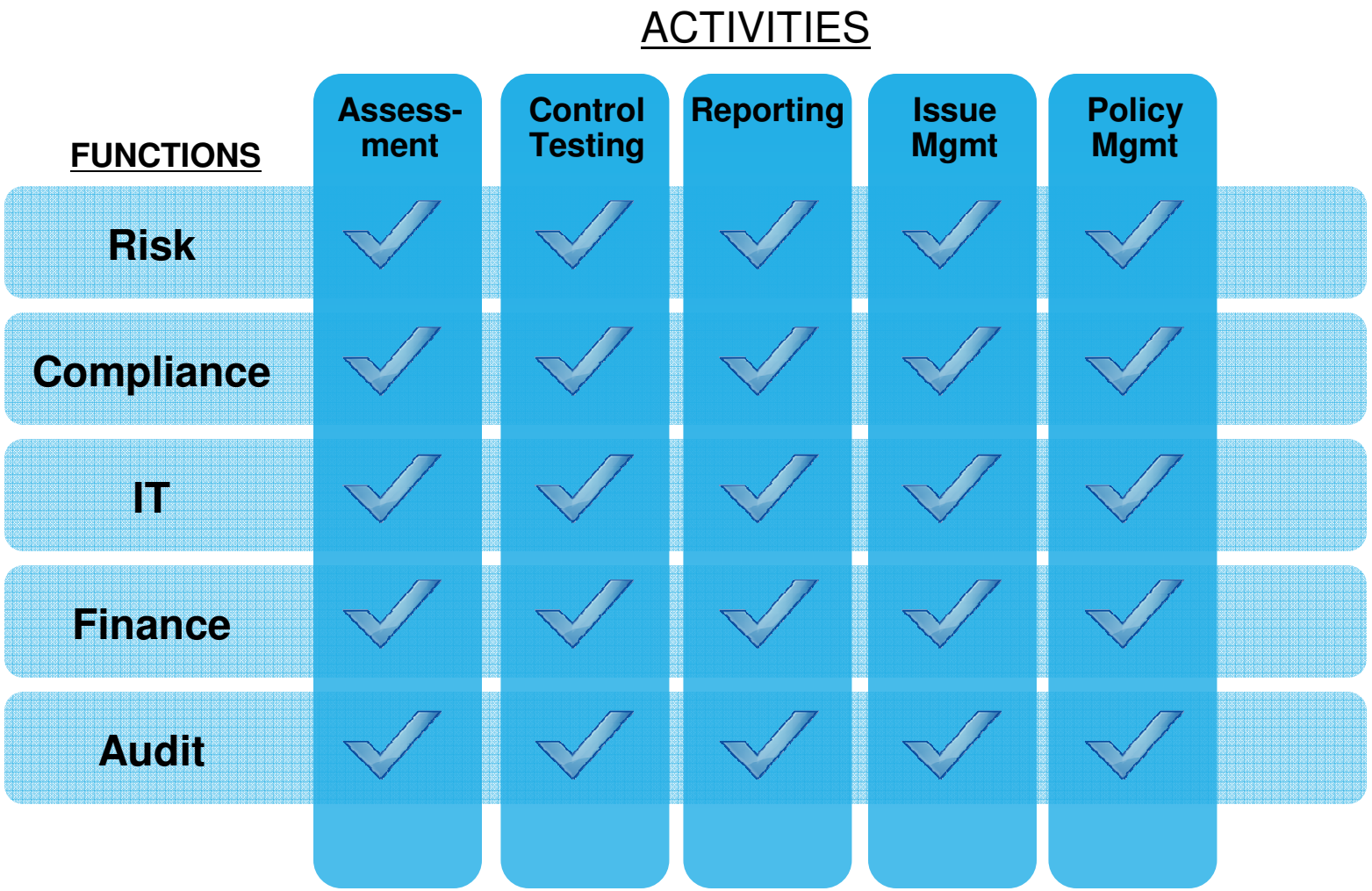


An integrated approach reduces redundancies in control testing, assessments and audits



- Control testing
- Assessments
- Audits

An integrated approach can also reduce duplication across the spectrum of oversight activities



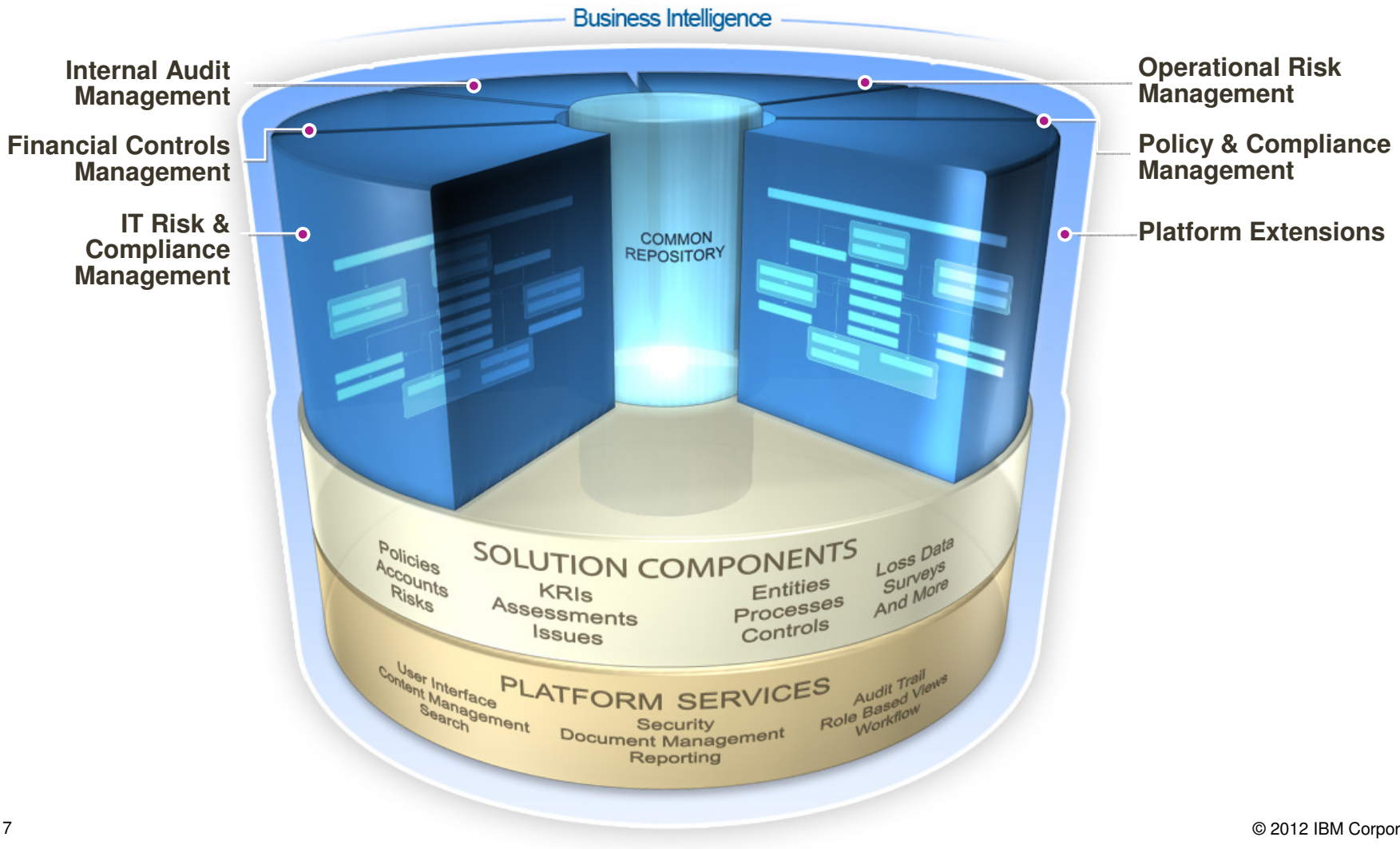
2010 OCEG GRC Maturity Survey

"Companies that integrate GRC do better and can demonstrate value of the improvement beyond enhanced compliance capability and risk management."

Source: OCEG 2010 GRC Maturity Survey

IBM OpenPages GRC Platform integrates key risk and compliance functions

Business Analytics software



IBM OpenPages Operational Risk Management

Key Features

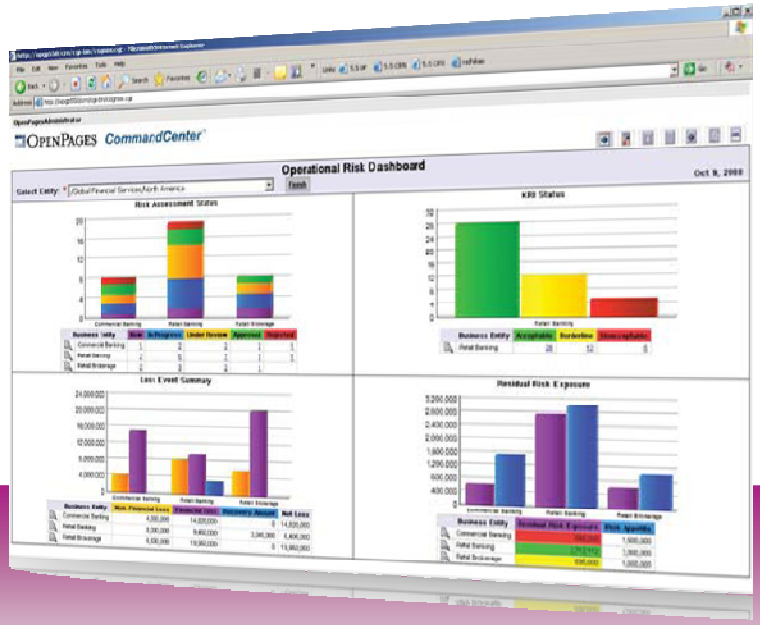
Risk Management to identify, manage, monitor and report on risks across the enterprise

- Board Reporting
- Business Line decision making

Fully integrated Risk Management capabilities

- Risk Control Self Assessments (RCSA)
- Scenario Analysis
- Key Risk Indicators (KRIs)
- Loss Event database (Internal & External)

IBM OpenPages dashboards deliver actionable reporting on current state of risk



Business Benefits

- Understand and proactively manage the risks that can impact the business
- Improve enterprise risk processes by integrating key risk data (e.g. loss events with RCSA)
- Standardize risk reporting across the enterprise

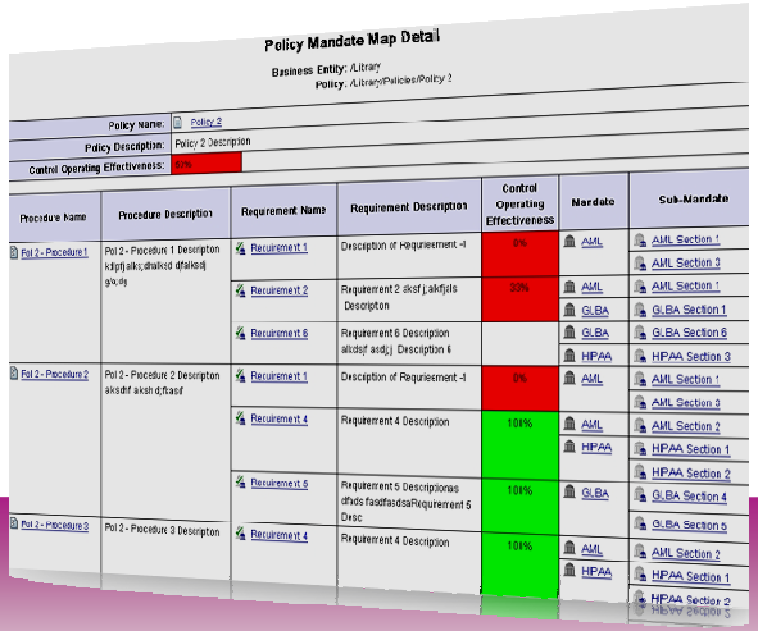
IBM OpenPages Policy Compliance Management

Sustain Compliance Across Multiple Regulatory Mandates

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 management
- Training and communication
- Support for the regulatory certification and audit process

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



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

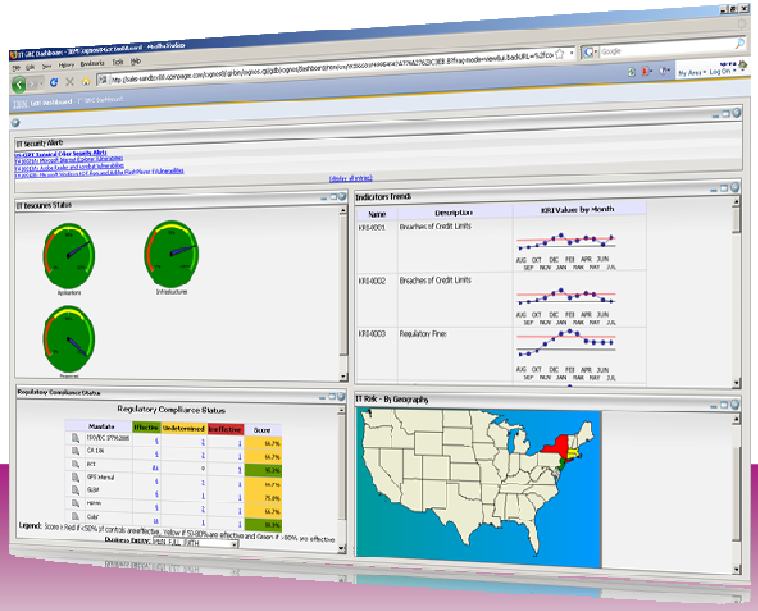
IBM OpenPages IT Governance

Aligning IT risk and operations management 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
- Optimize your control environment
- Track and manage common requirements across laws, regulations, standards and policies
- Integrated with UCF, the industry's most comprehensive IT compliance database

IBM 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
- Unites multiple silos of IT risk and compliance to deliver improved visibility, better decision support, and enhanced corporate performance

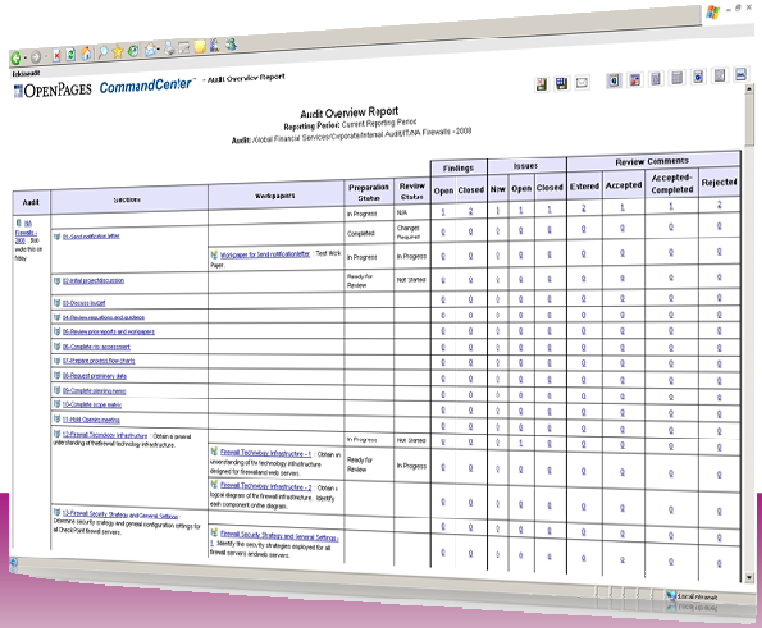
IBM OpenPages Internal Audit Management

Providing independent assurance to the business

Key Features

- Integrated solution for audit management
- Define, plan, execute and report on audits across the business
  - Track and manage audits, audit phases, work papers and allocations
- Automate operations through fully configurable reporting and workflow
- Risk rank audit universe, configured according to the audit methodology

IBM OpenPages Internal Audit Management enables organizations to plan, execute, report and review their audit universe.



Business Benefits

- Empowers internal audit departments to champion risk management, acting as a strategic partner to management
- Delivers an integrated, closed loop approach to risk management, driving visibility and confidence in organizational risk posture

IBM OpenPages Financial Controls Management

Market-leading Solution for Managing Financial Reporting Risk

Key Features

Automated compliance lifecycle

- Design and documentation through test, review, approval and certification

Central repository

- Document compliance policies and procedures, capturing full audit trails and approvals

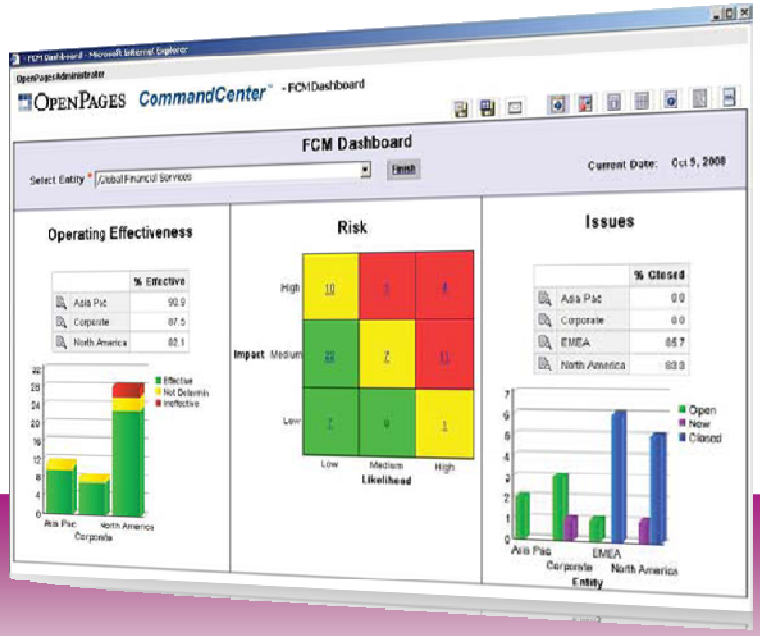
Issues management

- Automate SOX control issues notification and remediation
- Report against critical issues from dashboard

302 and 404 certification

- Reduce costs and streamline efforts with OpenPages InteliClose™ enabling progressive closing

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



Business Benefits

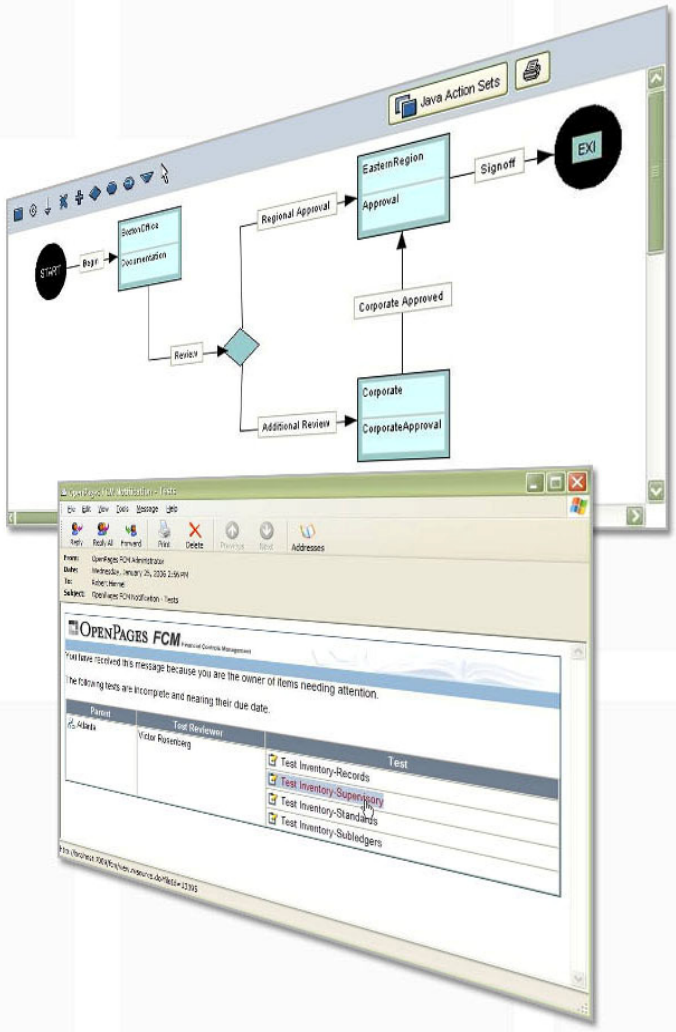
- Secure and centralized management of all financial compliance data
- Provides executive management with assurance into the state of compliance
- Ensures quick issue remediation

Increase Efficiency with Integrated Workflow

Automate Task Assignment, Notifications/Reminders, Data Routing and Tracking, and more…..

Robust workflow establishes and automates consistent best practice processes for:

- Assessing Risk
  - Loss Event Evaluation and Enrichment
  - KRI Management – Threshold Breach Awareness
- Materiality and Quantitative Assessments
  - Process design reviews
  - Control testing
  - Issue remediation
  - Signoffs and Certifications
  - Unlimited flexibility to automate processes
- **Use-case Examples**
  - Alerting Testers and Reviewers when the testing needs to be performed and reviewed
  - Alerting Risk Managers of Key Risk Indicator threshold breaches.
  - Alerting Business Owners of Regulatory Requirement Reviews and Certifications
  - Alerting Process and Entity – Regional & Corporate Owners/Controllers to sign-off on the IC Documentation
  - Alert Issue Owners (Gaps identified by Control Reviewers) in mitigating the issues by exception



Reporting with IBM Cognos

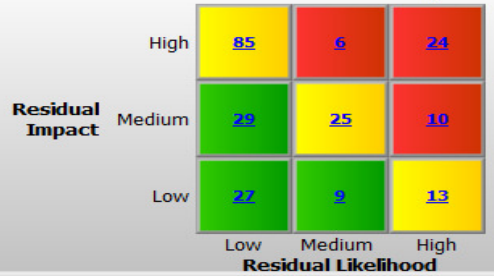
- Configure **MIS packs** that are **scheduled** and automatically delivered.
- **Provide** rich, interactive, real-time dashboards and reports
- **Enables** drill-down from reports into supporting reports as well as the underlying detail data
- **Provide** comprehensive monitoring and management across the entire business
- **Deliver** executive dashboards and reports and empower the end user
- **Enable** users to design and run reports tailored to their business needs

Executive View: ERM Dashboard

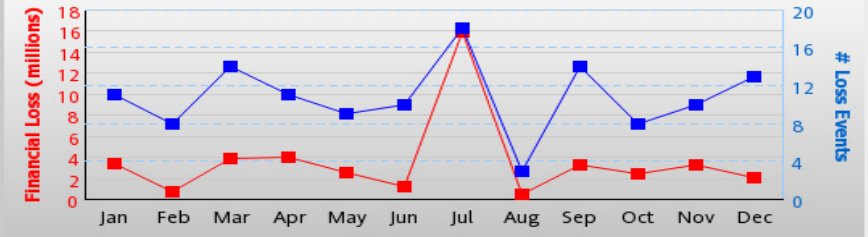
Key Risks

Name	Description	Residual Risk 10 Q1	10 Q2	10 Q3	10 Q4	Trend	Control Env	Open Critical Issues	Audit Rating
NA-CB-ERM-RSK-01	Failure to implement core client conversion (onboarding)	Medium	Medium	Medium	High	↘	Needs Improvement	> 5	Medium
NA-CB-ERM-RSK-02	Failure to deliver services that meet the low risk tolerance of clients	Medium	Medium	Low	Low	→	Satisfactory	> 5	Low
NA-CB-ERM-RSK-03	Failure to establish robust internal control and governance structure	Medium	Medium	Low	Low	↗	Satisfactory	> 5	Low
NA-CB-ERM-RSK-04	Failure to properly diversify product offerings and client base	Medium	Medium	Medium	High	↘	Needs Improvement	> 5	Medium
NA-CB-ERM-RSK-05	Failure to retain and develop talented employees	Low	Low	Medium	Medium	→	Satisfactory	> 5	Medium

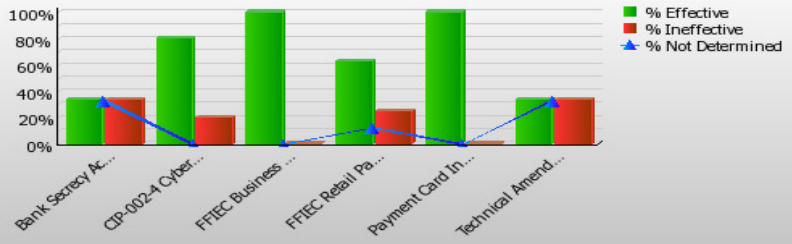
Risk Heat Map



2010 Internal Loss Amount & Count



Mandate Control Effectiveness



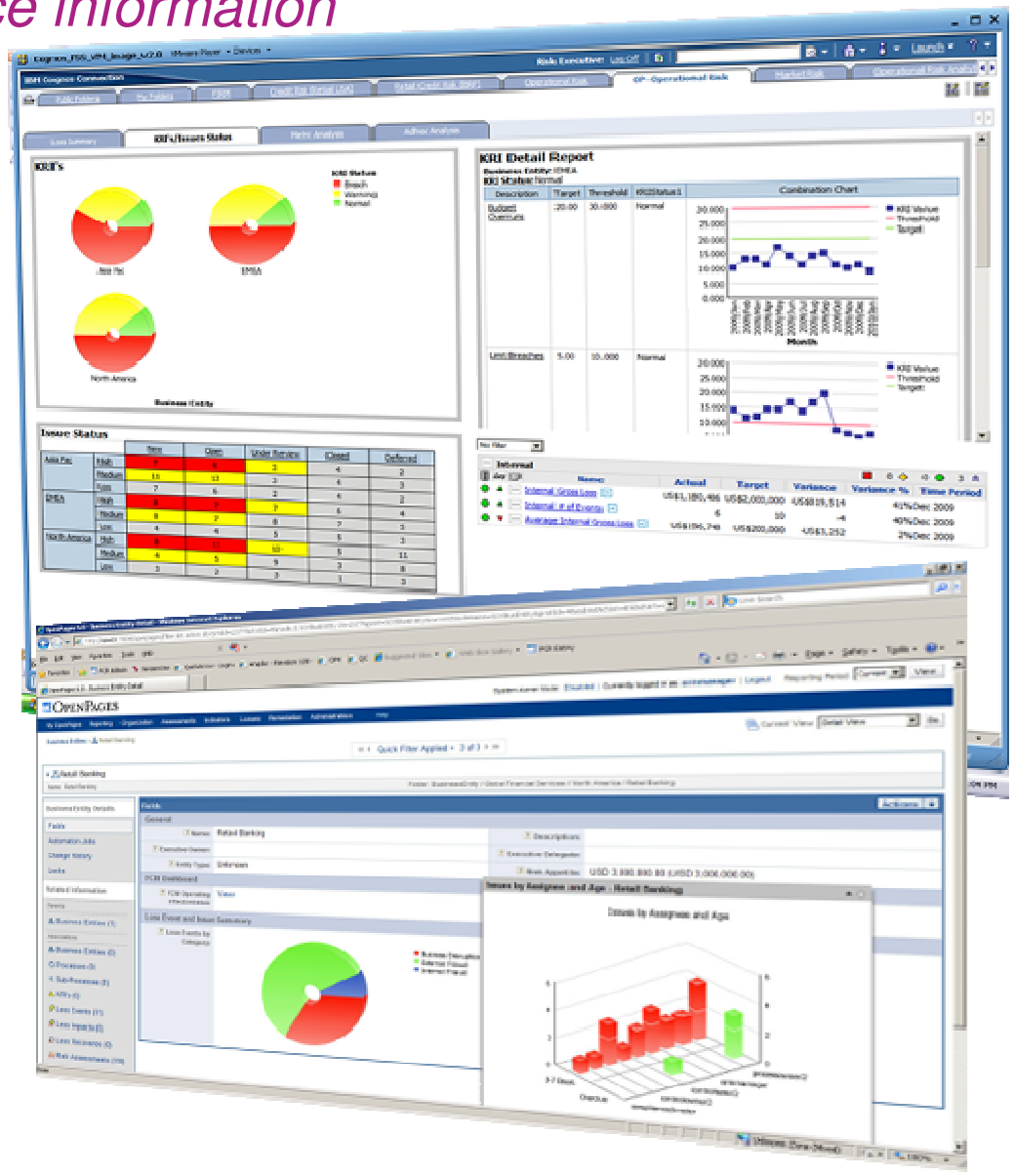
Issue Status

		High	Medium	Low	Not Determined
Asia Pac	Closed	0	1	2	1
	Open	0	2	0	0
Corporate	Closed	0	1	1	0
	Open	2	2	1	3
EMEA	Closed	3	5	3	1
	Open	0	0	0	2
North America	Closed	1	4	4	4
	Open	11	7	0	3

OpenPages – Better Insight through Enhanced BI

Easy access to risk & compliance information

- Leverages Cognos Analysis Studio for dimensional modeling, including charts and graphs; drill up, drill down.
- Easily explore data without involving IT; present data in an informative way
- In context risk and compliance information via Cognos Mashup Service
  (e.g., assessments in RCSA)



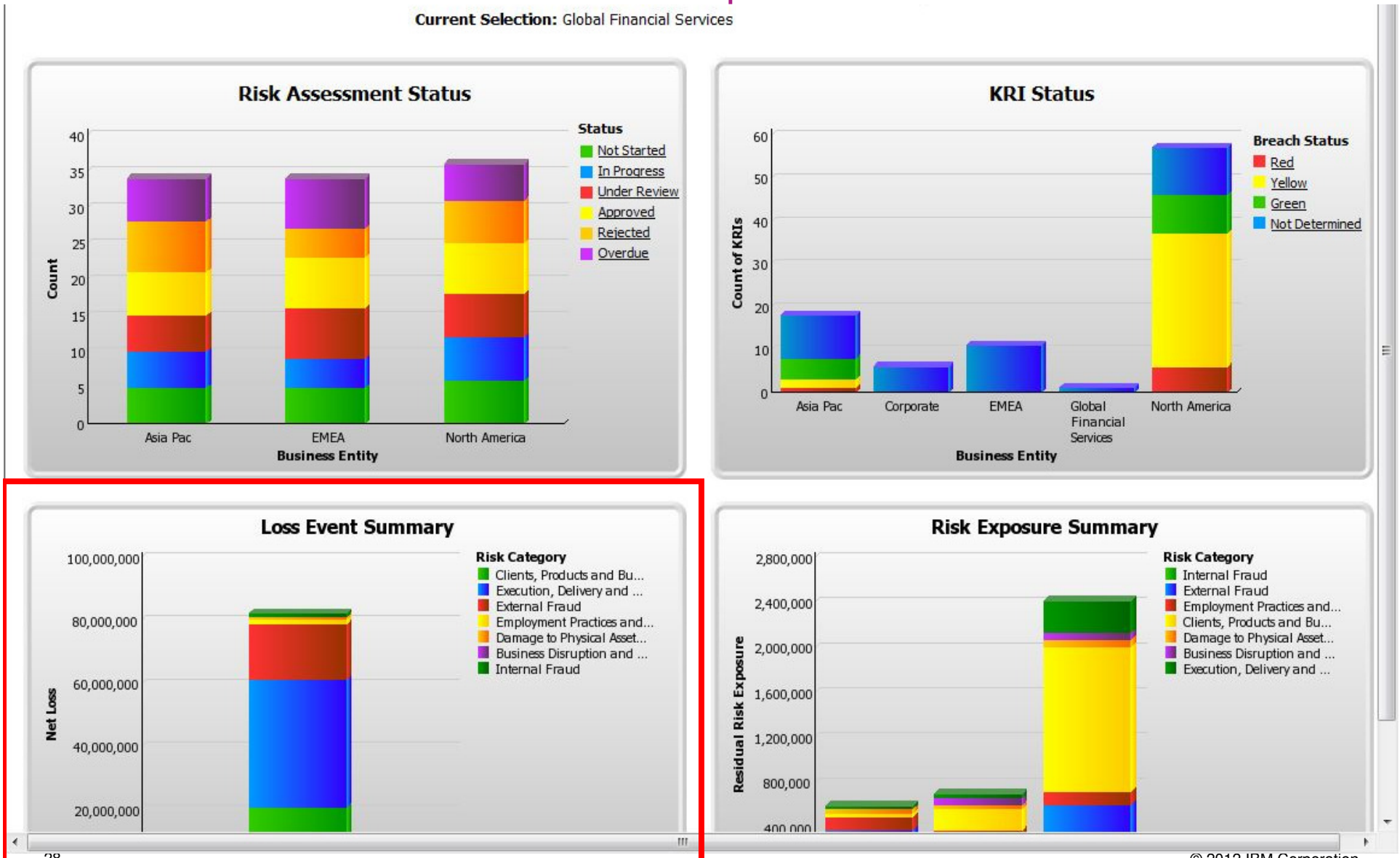
OpenPages – Better Insight through Enhanced BI

Interactive exploration of risk and compliance information

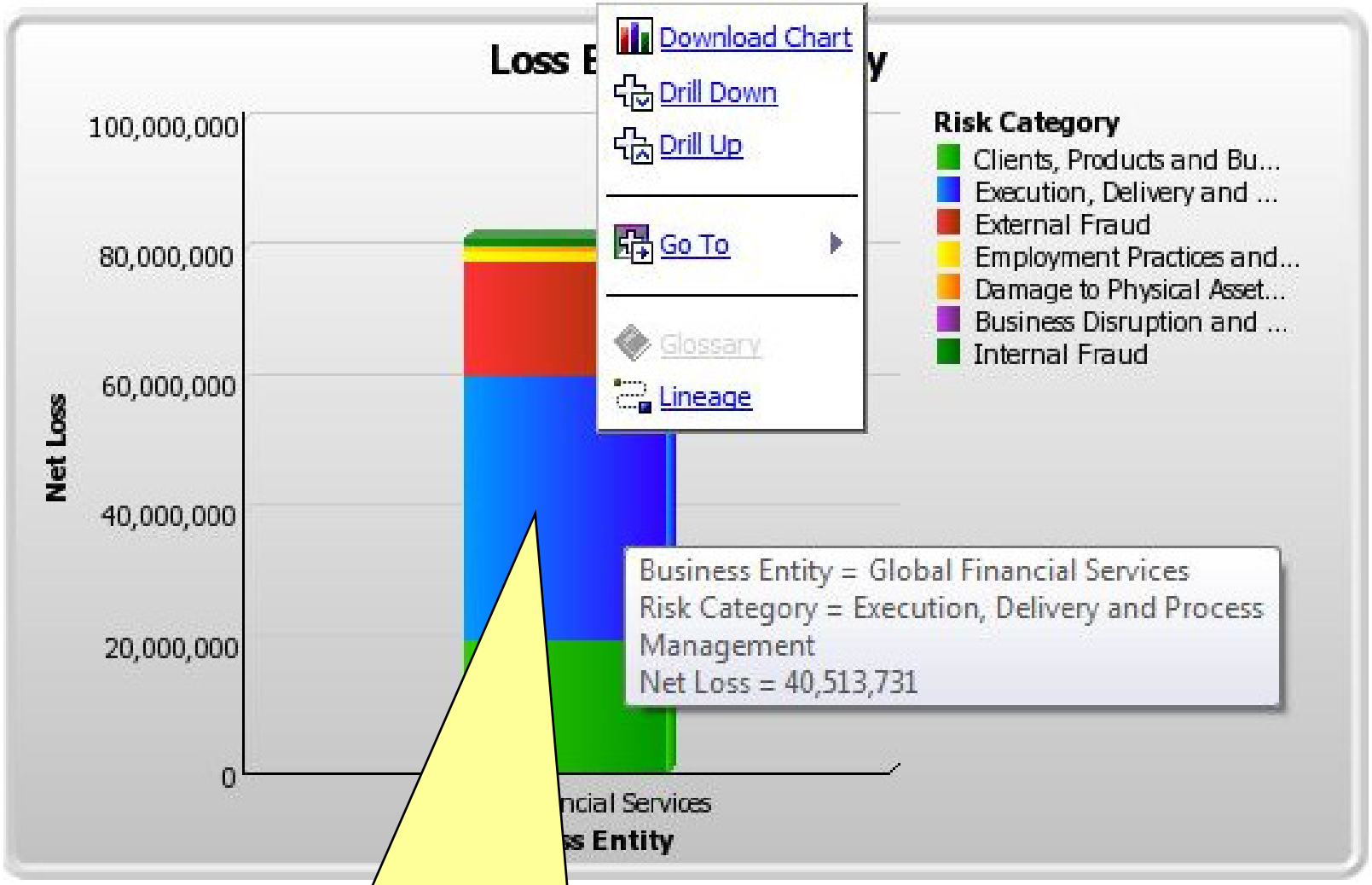
- Dials and controls on interactive dashboards allow infrequent users to easily explore data along basic dimension
- Integration of Dashboarding into the User's Home Page
- Ideal for senior manager or other infrequent user of system
- Allows business managers to explore risk data in an ad hoc way.

Business User: ORM Dashboard Report

Current Selection: Global Financial Services

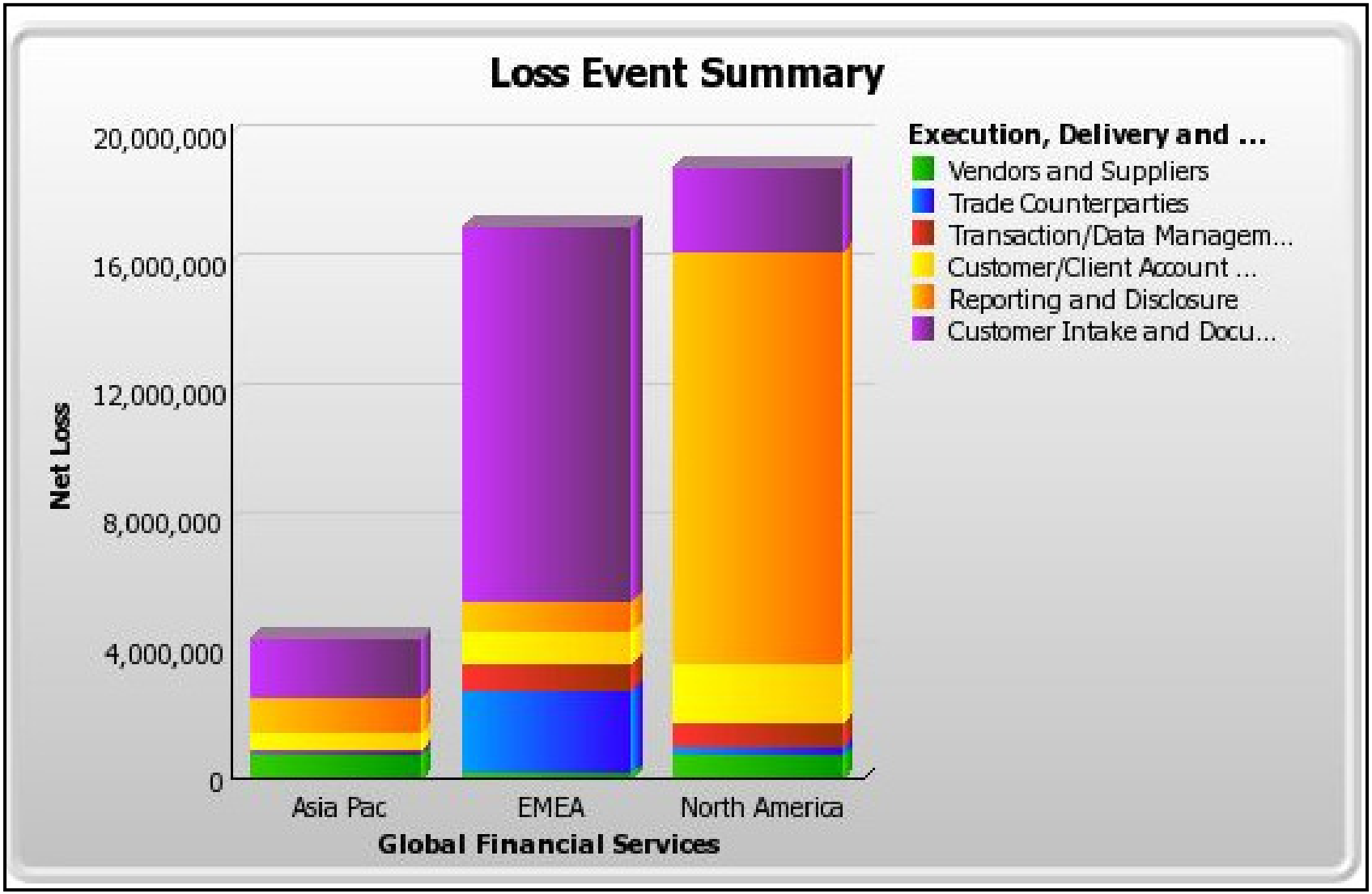


Business User: ORM Dashboard



Right click on GFS / Execution, Delivery… to see menu options; select drill down

Business User: ORM Dashboard



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Williams.
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HCA
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Manufacturing

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WORTHINGTON INDUSTRIES
WOLSELEY

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Del Monte
Constellation

Telecommunications

vodafone
meteor

CARNIVAL CORPORATION&PLC

BARCLAYS Case Study

Integrated Financial Controls and Operational Risk Management

Business Challenge

- Barclays operates in over 50 countries, employs 147,000 people, and serves over 42 million customers and clients worldwide
- The company had multiple assessments and reports for risks and controls in Operational Risk and Sarbanes-Oxley, which limited reporting options and resulted in high operating costs
- The company was also looking to align their systems to a common risk management framework, a strategic goal for the company

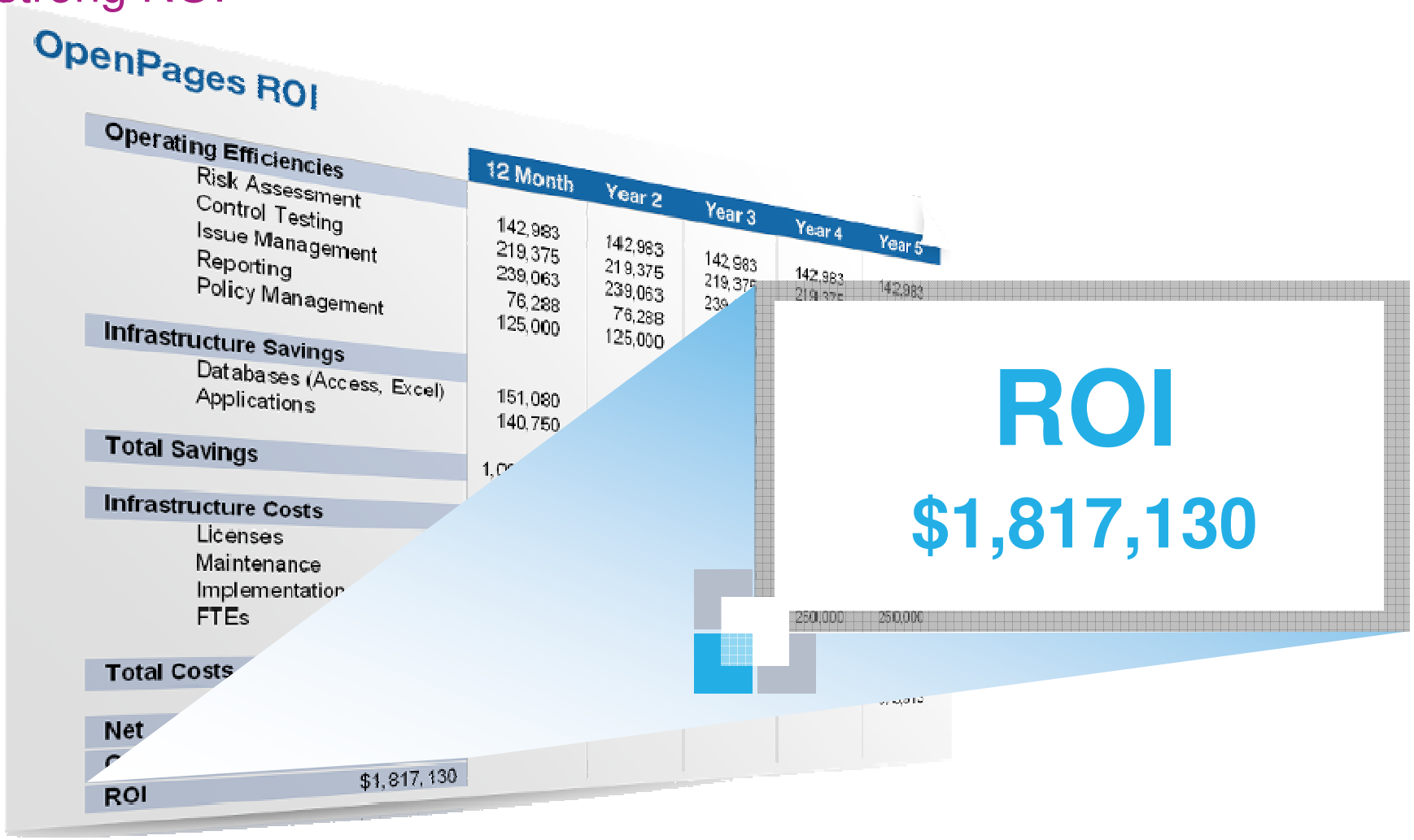
Solution

- Barclays implemented a single, integrated solution for operational risk and financial controls management, which was highly configurable to meet needs of business
- Implemented across UK, Continental Europe, United States Africa, Asia—Over 10,000 users worldwide

Outcome

- Having access to this kind of data on one platform allows the firm to gain a better overall picture of where the risks lie in the entire organization
- Added benefit of saving time and resources in the individual business lines

Alignment across risk and compliance activities promises a strong ROI



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Deliver **consistent** and **accurate** information about the state of risk and compliance initiatives to assess exposure

Improve **decision making** and **business performance** through increased insight and business intelligence

Trademarks and notes