

Operational Risk Management

The role of Operational Risk Management in a financial services firm is to ensure the creation and enforcement of a risk management framework. The challenge is the rapidly changing environments they manage and the constant drive from the business to be relevant and efficient. The frameworks they develop and manage must be both – up to industry standard and coordinated with the compliance and audit frameworks. A further challenge is to ensure that the frameworks for all risk types and across all business units are coordinated.

Support for Risk Management Activities

ARC Logics provides modules that support specific risk management activities such as incident recording and risk assessment. These modules can be tailored to match individual risk frameworks and include workflow and reporting to ensure that the activities are carried out correctly and relevant people are aware of status. Where individual parts of a framework are not supported, data can be imported and reported upon (e.g. market risk VaR).

Benefits

- Automates a very labor intensive review and assessment process for operational risk, compliance and corporate governance
- Provides the ability to assign risk management responsibility and accountability within the business
- Ensures a cost-effective continuous assessment of risks
- Allows the business to capture and report on losses, breaches and control failures
- Provides an ability to aggregate risks up the organization to ensure that risk scores at the high levels are made up of real scores from below
- Provides an organization wide issue management system that ensures all issues are captured and managed to closure
- Includes an indicators management system that enables organizations to track and report upon risk and control indicators
- Enables high quality enterprise reporting

Risk & Control Assessment

Self-assessment exercises typically utilize a bottom-up approach, with the business line managers providing the information needed through a framework devised by risk and compliance specialists. Risk and control assessments can also be performed as a top-down exercise, starting at the most senior management level, in order to get a high-level enterprise-wide view. Firms may additionally be able to leverage this for compliance with regulations like Sarbanes-Oxley and its requirement for senior managers to approve the efficacy of controls.

Institutions may additionally be able to leverage this for compliance with regulations like Sarbanes-Oxley and its requirement for senior managers to approve the efficacy of controls.

ARC Logics enables users to:

- Define risks and associated categories in the risk register
- Associate risks with many processes
- Define the likelihood and impact for risks
- Record multiple impact types (direct, indirect, reputation, regulatory)
- Capture the business and audit assessment of risk
- Identify the target risk scores
- Define periodic reassessments of risk and associated sign-off structure



Incident Recording

The objective of the incident collection process is to provide a consistent and structured approach to identify, capture, analyze and report on operational losses and breaches. Incident recording promotes transparent and effective management of loss events and compliance breaches.

Incident recording allows clients to:

- Define incident recording templates for the organization identifying data to be captured, workflow and approvers
- Record actual financial losses, near misses, financial profits from errors and regulatory breaches
- Create a complete record of incident details including breakdown, recovery, currency and resolution
- Analyze losses by regulatory loss categories
- Link incidents to causes (risks and/or controls) for causal analysis and to assist risk assessments
- Provide automatic incident reports to staff on a periodic basis

Scenarios

Scenarios address blind spots by challenging assumptions, expanding vision and combining information from many different disciplines. Using scenarios will help you explore what the future might look like and the likely challenges to the business.

Scenarios allow clients to:

- Define scenario templates that describe the high level details of a scenario that will be assessed in one or more locations within the organization
- Create a specific scenario and define the manner in which it is to be scored and the people responsible for its review
- Record the results of a scenario assessment including supporting documentation
- Define a periodic re-assessment process and associated approval procedure
- Provide scenario reports for senior management and capital calculation purposes

Enterprise Indicators

Some ERM programs can often produce large volumes of qualitative information that may become overwhelming. In order to best support critical policy and business decisions, ARC Logics quantifies and reports critical risks in a concise and effective manner. ARC Logics utilizes enterprise indicators to facilitate the quantification and reporting of risk and compliance information.

Enterprise Indicators deliver the following key functionalities:

- Indicators enable the production of dashboards at different levels – global, supplier, regional, business area etc.
- The various dashboards feed into and from each other
- Indicators can be combined both within and between dashboards
- It is possible to express different indicators in different dimensions (Business Unit, System, Supplier, Project etc.). Also it is possible to express indicators in several dimensions at once where the data is available
- The system allows the set-up of predefined thresholds from which it can calculate the RAG (Red/Amber/Green) score of the indicator
- The metrics underlying the indicators can be manually loaded or fed automatically from other systems
- There is a library of standard indicators so as to ensure consistency across different dashboards
- Users can enter textual comments as part of the statement production process
- The system is multi-lingual, multi-regional & multi-currency

Enterprise Reporting

The key aim of our reporting design is to enable powerful reports to be securely accessed by all users as required. Whether these reports are provided with the packaged product or built by users after implementation, the same secure easy access is provided.

Enterprise reporting provides:

- A business perspective of the risk and compliance data
- An integrated data view of all risk and compliance information
- A powerful report writing capability available to administrative users
- Integrated report delivery and security

Wolters Kluwer Financial Services provides best-in-class compliance, content, and technology solutions and services that help financial organizations manage risk and improve efficiency and effectiveness across their enterprise. The organization's prominent brands include ARC Logics, CCH®, TeamMate, and Sword; as well as Bankers Systems, VMP® Mortgage Solutions, PCI, AppOne®, GainsKeeper®, Capital Changes, NILS, AuthenticWeb™ and Uniform Forms™. Wolters Kluwer Financial Services is part of Wolters Kluwer, a leading global information services and publishing company with annual revenues of of €3.4 billion (\$4.8 billion), approximately 19,300 employees worldwide and operations in over 40 countries across Europe, North America, Asia Pacific, and Latin America.

Wolters Kluwer Financial Services

130 Turner Street, Building 3, 4th Floor
Waltham, MA 02453
Toll-free: 800.261.3111
Phone: 781.663.5333
Fax: 781.663.5335



Wolters Kluwer
Financial Services

To learn more visit
www.WoltersKluwerFS.com/ARCLogics.