

Delivering enhanced risk management information

Drivers for change

One of the clear priorities in the industry, post the financial crisis, is the need to improve risk management decision-making in both

- the business (to actively manage and price risks), and
- the supporting independent risk control functions (in order to challenge the business in the overall management of these risks).

At the heart of it lies issues around the cost effective, timely production of accurate management information due to a number of historical factors:

- Silo, fragmented systems for each risk class
- Lack of consistent reference data and risk measurement methodologies (shared across business areas, risk and finance)
- Lack of appropriate information and insightful analysis at all levels
- No consistent source of risk and finance (and actuarial for insurance companies) data leading to significant reconciliation effort, cost, and a high risk of error leading to potential reputational loss or regulatory fines
- Previous under-investment in technology; or business model changes not reflected in underlying architecture.

Key actions to deliver enhanced risk MI

1. Defining management information and reporting requirements to comply with new regulatory changes (S2, liquidity, new Basel II requirements etc.)
2. Enhancing existing management information capabilities in line with changes to overall risk management and governance as a result of the crisis, including:
 - Greater transparency of previously under analysed risks e.g. credit default risk in the trading book, issuer risk, liquidity/funding risk, underlying collateral values in structured products etc
 - Correlation of risks across class and entities
 - Stress testing, scenario analysis and what-if modelling
 - Impact on regulatory, economic and actual capital requirements
 - Adoption and embedding of risk-adjusted performance management frameworks and linking to reward and compensation
3. Investigating how best to use enabling technology to deliver the new requirements; with a specific focus on how to better integrate risk and finance information
4. Addressing persistent data quality issues in conjunction with finance and upstream data providers, to speed up the reporting process and deliver more accurate and valuable business insights

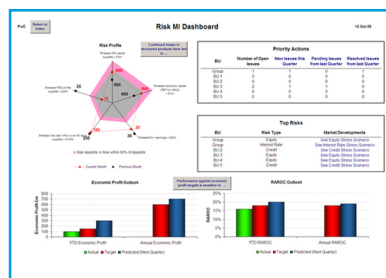
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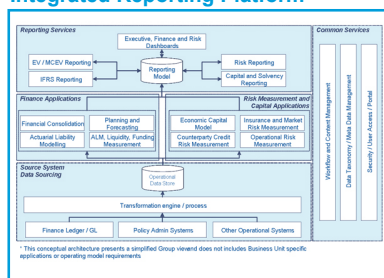
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Designing the Risk MI Dashboard



Designing and Implementing an Integrated Reporting Platform



PwC sharing experience

We have worked closely with many clients to address these issues and as a consequence have developed a tried and tested approach, investing significantly in tools and accelerators in order to fast-track projects and deliver benefits earlier.

Our multi-disciplinary teams are able to help: diagnose the issues, define the new requirements, design the Risk management information architecture, evaluate technology solution options, create the business case and stakeholder commitment to change and develop a pragmatic implementation roadmap.

In addition, through our recent acquisition of Paragon, we are able to bring together market-leading technology solution implementation services with our existing process design and change management expertise to help clients throughout the end-to-end solution implementation lifecycle.