Risk Insight and Financial Optimization with IBM Business Analytics

Presenter from IBM Business Analytics software
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Think the Unthinkable

The pervasive view that “this time is different” is precisely why it usually isn’t different, and catastrophe eventually strikes again.

Reinhart and Rogoff (2008)
Manage ongoing regulatory change

- The increase in complexity is overwhelming
  - Multiple regulatory regimes
  - New business processes
- Regulatory environment will remain dynamic for the foreseeable future
  - Implementation of existing legislation
  - Political volatility worldwide
- Waiting for stability is not an option—regulators, boards want clarity now

Source: Economist Feb 18, 2012
Optimizing enterprise risk management

How do you build a risk-enabled enterprise? Where do you begin?

Transformational stages

- Integrated Risk Information
- Exposure Management
- Risk Intelligence
- Business Decision Making
- Risk Appetite Management
- Risk-Adjusted Value Management

Manage Data

Analyze patterns

Optimize outcomes
IBM Risk Analytics Solutions enable risk-aware decision-making

- **Improving decision making** by providing risk insight and transparency to business decisions
- **Increasing your return on capital** by investing in the right opportunities
- **Reducing** the cost of compliance
- **Accelerating and streamlining risk processes** to reduce cost and operational risk and transform our clients’ customer business
- **Dynamically evolving** as risk practices and regulations change
Scotiabank develops a consolidated view of counterparty credit risk and improves trading decisions

With an integrated solution

70% of counterparty exposure measurements changed by 20% or more

Business problem: Risk results were produced at the end of the day, resulting in missed trading opportunities

Solution: Unified solution for measuring and managing counterparty exposures and Credit Valuation Adjustment (CVA) in the front, middle, and back office
Optimized outcomes through horizontal and vertical risk integration

Vertical integration linking risk management to business processes and business decisions

Horizontal integration to integrate “silos” and enable a comprehensive view of risks across firms
IBM Risk Analytics - solutions portfolio

**Financial Risk – Sell Side (Banks and Financial Markets)**
- Strategic Business Planning
- Balance sheet risk management
- Credit lifecycle management
- Integrated market and credit risk, incl. CVA and counterparty credit risk
- Integrated Financial Reporting & Analysis

**Financial Risk – Buy Side (Insurance Companies, Investment Mgrs, Hedge Funds)**
- Portfolio construction and risk management for investment portfolios
- Economic Capital and Solvency II
- Actuarial and financial modeling

**Governance, Risk & Compliance (GRC)**
- Operational risk management
- Loss event case studies & database
- Governance and IT risk
- Policy and compliance management
- Enterprise disclosure management
- Financial controls management
- Internal Audit

Core Capabilities:
- Workflow
- Reporting & Visualization
- Business Rules & Optimization
- Planning
- Real-time Decisions
- Scenario Modeling
- Collaborating
Chartis Research Ranks IBM a Category Leader in Basel 3 Technology Solutions 2012

"IBM Algorithmics’ Basel 3 capabilities are built on its enterprise risk management architecture, Algo One."

"Examples of IBM Algorithmics’ key differentiators include common risk analytics across the enterprise, integrated stress testing and capital optimization."

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Smarter Capital Management for Turbulent Times

Built on IBM’s transformative enterprise capabilities, combines a comprehensive view of operations with the ability to stress, forecast and optimize over a range of possible changes in portfolios and key risk drivers to plan growth at the enterprise level.
IBM’s insurance framework for risk-based capital adequacy provides the whole solution.

Risk Analytics:
- Asset, Liability & Capital Modeling
- Economic Scenario Generation
- Internal Model SCR
- Standard Formula SCR
- Risk Aggregation & Optimization
- Economic Capital

Risk Governance:
- Workflow, Audit & Governance
- Own Risk Solvency Assessment
- Loss Events & Risk Indicators

Risk Reporting:
- QRT Reports
- Decision-support Reports/Dashboards
- Regulatory Reporting (w/XBRL)

Data Management:
- Business Glossary
- Data Marts
- Extract, Transform & Load
- Data Quality
- Metadata Management
- Data Warehouse

IBM Middleware, Smarter Computing & Services

Operational Data Sources:
- Policy Information
- Asset Holdings
- Technical Provisions
- Market Data
- Underwriting & Reinsurance
- Premiums
- Expenses
IBM Risk Analytics Solutions at Allianz

Financial Risk
- Group-wide economic capital
- Market value-based risk management approach
- Solvency II preparation

Operational Risk
- Integrated operational risk framework
- Standardized methodology and risk processes
- Solvency II preparation
Algo Risk Service – Managed Service

- **Dedicated** Client production and Data Environments
- **User-defined** Instrument modelling (including third party models)
- Configurable scenario generation
- Multiple Data sources at client **discretion**
- **Custom User**-defined aggregations
- **Application** customisation
- A multi-strategy financial risk management platform **hosted by Algorithmics**
- A secure, web-enabled **interactive user interface** (ARA)
- A risk methodology that leverages **scenarios** and security re-pricing
- A **dedicated** support group, portal and Service Level Agreement (SLA)
IBM OpenPages Enterprise GRC Platform

Delivers enterprise risk and compliance on a single, integrated platform
Built on an unparalleled combination of integrated capabilities, delivery experience, and business expertise.
Visit the Solutions Showcase to learn more

- Financial Risk
- Performance Management
- Operational Risk & GRC