Risk*Business* Risk*Intelli*Set

Enabling GRC Management in Financial Services

SOLUTION**PERSPECTIVE**

Governance, Risk Management & Compliance Insight

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TALK TO US . . .

We look forward to hearing from you and learning what you think about GRC 20/20 research. GRC 20/20 is eager to answer inquiries from organizations looking to improve GRC related processes and utilize technology to drive GRC efficiency, effectiveness, and agility.

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Risk Management Challenges

Financial services organizations face a complex, multi-faceted risk and compliance environment. Exponential growth and change in regulations, globalization, distributed operations, changing processes, competitive velocity, business relationships, disruptive technology, legacy technology, and business data encumbers financial services organizations of all sizes. Managing complexity, keeping change in sync, and risk managed in this context, is a significant challenge for boards, executives, as well as governance, risk management, and compliance professionals (GRC) throughout the financial services organization.

The modern financial services organization is:

- **Distributed.** Financial services organizations of all sizes can have distributed operations complicated by a web of global outsourcing, service provider, business partner, and client relationships. Traditional brick and mortar firms are a thing of the past: physical buildings and conventional employees no longer define the organization. The financial services organization of today is an interconnected mesh of digital transactions, relationships, and interactions that obfuscate traditional business boundaries. Complexity grows as these interconnected relationships, processes, and systems nest themselves in intricacy.

- **Dynamic.** Financial services organizations are in a constant state of change. Distributed business operations and relationships are growing and changing at the same time the organization attempts to remain competitive with shifting business strategy, technology, and processes while keeping current with changes to risk and regulatory environments around the world. Multiplicity of risk environments to monitor span regulatory, geo-political, market, credit, and operational risks across the globe. Regulatory change has more than tripled in financial services in the past five years, with 220 regulatory change events happening every day around the world from over 900 financial regulators.[1] Managing risk, regulatory, and business change on numerous fronts has buried many firms, and keeping change in sync appears to be an impossible task.

- **Disrupted.** The explosion of data in organizations has brought on the era of "Big Data", and with that, "Big GRC Data". Organizations are attempting to

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1   *This figure is from the Thomson Reuters Cost of Compliance 2019 report, http://financial-risk-solutions.thomsonreuters.info/cost-of-compliance-2019.*

manage high volumes of structured and unstructured risk and compliance data across multiple systems, processes, and relationships to see the big picture of performance, risk, and compliance. The velocity, variety, veracity, and volume of data is overwhelming – disrupting the organization and slowing it down at a time when a financial services organization needs to be agile and fast.

Financial services firms need agility. Achieving agility requires that they have 360° contextual awareness of risk and compliance. The components of governance, risk management, and compliance fail when managed in isolation. Decentralized, disconnected, and distributed systems of the past catch the organization off guard to risk and expose the organization. Complexity of business, intricacy, and interconnectedness of GRC data requires that the financial services organization have an integrated approach to GRC.

Fritjof Capra made an insightful observation on living organisms and ecosystems that rings true when applied to GRC and financial services today:

"The more we study the major problems of our time, the more we come to realize that they cannot be understood in isolation. They are systemic problems, which means that they are interconnected and interdependent."[2]

Capra's point is that ecosystems are complex, interconnected, and require a holistic understanding of intricacy and interrelationship as an integrated whole, rather than a dissociated collection of parts. Change in one segment of an ecosystem has cascading effects, and impacts the entire ecosystem. This is particularly true in the modern financial services organizations. Dissociated data, systems, and processes leaves the organization with fragments of truth that fail to see the big picture of performance, risk, and compliance across the firm.

This is complicated by the exponential effect of risk on the business. Financial services organizations operate in a world of chaos. Applying chaos theory to business is like the 'butterfly effect' in which a small, seemingly insignificant event grows, cascades, and influences what ends up being a significant event. The concept uses the analogy that the simple flutter of a butterfly's wing can create tiny changes in atmosphere that ultimately impacts the development and path of a hurricane. What may seem an insignificant risk in one area can have profound impact on the organization as it grows and interconnects with other risks. Executives are either ignorant of a real understanding of risk, or are constantly reacting to risk and fail to actively manage and understand the interrelationship of risk across the organization. As organizations expand operations and business relationships (e.g., vendors, outsourcers, service providers, consultants, and staffing), their risk profile grows exponentially. Organizations need to stay on top of their game by monitoring risk to their business internally (e.g., strategy, processes, and internal controls) and externally (e.g., competitive, economic, political, legal, and geographic environments) to stay competitive in today's market.

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2   *Fritjof Capra, The Web of Life: A New Scientific Understanding of Living Systems (New York: Anchor Books, 1996), 3.*

Inevitable Failure: Misunderstanding the Scope of GRC Management

Financial services firms struggle with risk management systems that are very costly to implement but do not go deep and address their specific needs. This is compounded by firms that have built manual processes encumbered by documents, spreadsheets, and emails. Managing risk and compliance activities in disconnected silos leads the organization to inevitable failure. Reactive, document-centric, and manual processes for risk management fail to actively manage risk in the context of business strategy and performance, and leaves the organization blind to the intricate relationships of risk across the organization. Siloed initiatives never see the big picture and fail to put risk management in the context of business strategy, objectives and performance - resulting in complexity, redundancy, and failure. The organization is not thinking about how risk and compliance management processes and controls can be designed to meet a range of risk and compliance needs. An ad hoc approach to risk management results in poor visibility across the organization and its control environment, because there is no framework or architecture for managing risk and compliance as an integrated part of business. When the organization approaches risk in scattered silos that do not collaborate with each other, there is no possibility to be intelligent about risk, and understand its impact on the organization.

A nonintegrated approach to GRC management impacts business performance and how it is managed and executed, resulting in:

- **Redundant and inefficient processes.** Organizations often take a Band-Aid approach and manage risk in disconnected silos instead of thinking of the big picture, and how resources can be leveraged and integrated for greater effectiveness, efficiency, and agility. The organization ends up with varying processes, systems, controls, and technologies to meet individual risk and compliance requirements. This means multiple initiatives to build independent systems — projects that take time and resources, and result in inefficiencies, high costs to consolidate disparate data silos and documents and unreliable or irreconcilable risk assessment results, because of different formats and approaches.

- **Poor visibility across the enterprise.** Inability to gain a clear view of risks and their interdependencies. A reactive approach to risk management with siloed initiatives results in an organization that never sees the big picture. The organization ends up with islands of oversight that are individually assessed and monitored. The line of business is burdened by multiple and differing risk and compliance assessments, asking the same questions in different formats. The result is poor visibility across the organization and its environment.

- **Overwhelming complexity.** Varying risk and compliance frameworks, manual processes, over-reliance on documents and spreadsheets, and point solutions that lack an enterprise view introduce complexity, uncertainty, and confusion to the business. Complexity increases inherent risk, and results in processes that are not streamlined and managed consistently — introducing more points of failure, gaps, and unacceptable risk. Inconsistent risk management processes not only confuse the organization but also regulators, stakeholders, and business partners

- causing difficulty in maintaining accurate data, and failure to report and trend risk across assessment/reporting periods.

■ **Lack of business agility.** Firms lack agility to respond in a timely way to changing environments and situations. It handicaps the business to run a reactive risk management strategy, managed in siloed and manual processes with hundreds or thousands of disconnected documents and spreadsheets. The organization cannot be agile in a demanding, dynamic, and distributed business environment. This is exacerbated by documents, point technologies, and siloed processes that are not at the enterprise level and lack analytical capabilities. People become bewildered in a maze of varying approaches, processes, and disconnected data, organized without any sense of consistency or logic.

■ **Greater exposure and vulnerability.** No one looks at risk holistically across the enterprise. The focus is on what is immediately before each department, and not the complex relationship and dependencies of risk across the organization. This is exacerbated by many so-called solutions that focus on assessment and replacing spreadsheets, but do not deliver analytics or align with business applications. This creates gaps that cripple risk management and a business that is ill-equipped for aligning risk to the business.

The Bottom Line: The overall GRC management process is about the interactions and relationships of cause and effect across various transactions and information across the financial services organization. As a result, this fails when risk and compliance are addressed as a system of parts, rather than a collective whole. A complete situational and holistic awareness of GRC and its components of governance, risk management, and compliance is required across all operations, processes, relationships, systems, transactions, and data in order to see the bigger picture of risk and its cascading impact on the financial services organization's performance and strategy.

Risk*Business* Risk*Intelli*Set

Enabling GRC Management in Financial Services

Risk*Business*, with their Risk*Intelli*Set suite, is a GRC solution provider that GRC 20/20 has researched, evaluated, and reviewed with financial services organizations that are using it in complex, distributed, and dynamic business environments. The Risk*Intelli*Set suite delivers a solution that brings together risk information, content, technology, and services to provide a highly adaptable and configurable GRC system that addresses the range of risk and compliance management challenges in financial services firms. Their primary focus is with financial services, asset management and insurance companies, but they also have worked with clients in other industries, such as healthcare, travel/tourism, and natural resources.

Through a technology platform that can be implmentened in the Cloud or on-premise, they provide a unique offering that brings together risk content, information, and advisory with their overall technology platform. Their vision is to enable the future of risk

management through risk intelligence, risk accountability, and risk collaboration through all three lines of defense in the organization.

In context of researching Risk*Business* Risk*Intelli*Set, GRC 20/20 has interviewed several Risk*Intelli*Set clients, and finds that the solution has helped these organizations be efficient, effective, and agile in managing the breadth of GRC activities in complex and dynamic environments. The Risk*Intelli*Set suite is being used in organizations of various sizes and geographies. The solution is agile and intuitive to meet the risk management needs of a range of departments, while providing the right information architecture to aggregate and see risk across the financial services organization, and drill down into departments and processes.

GRC 20/20's evaluation, research, and interactions with Risk*Business* clients has determined the following:

- **Before Risk*Intelli*Set:** Clients of Risk*Intelli*Set are most often replacing manual processes of GRC that are encumbered by documents, spreadsheets, and emails, or risk management solutions that were not agile and adaptable to the needs of the organization. Such approaches can be very manual, time-consuming, and prone to errors - particularly in aggregation and reporting on GRC data that involves hundreds to thousands of documents and spreadsheets. Others are replacing internally developed applications, or commercial tools that did not meet their needs.

- **Why Risk*Intelli*Set:** Organizations choose Risk*Intelli*Set as they are looking for a single integrated content, information, and technology architecture to automate and manage risk, controls, and compliance processes in their financial services organization. They are looking for a single solution that can handle a complex taxonomy of risks mapped to business processes and objectives. Clients state they chose to work with Risk*Business* as they delivered the breadth of GRC consulting and depth of understanding of the needs of financial services organizations with a technology solution that was affordable.

- **How Risk*Intelli*Set is used:** the client's GRC 20/20 has talked to in researching Risk*Intelli*Set are using the solution for a breadth of use cases. Typical use cases for Risk*Intelli*Set include:

  - Risk and Control Self-Assessments (RCSA)

  - Key Risk Indicators (KRI)

  - Outsourcing and Third Party GRC

  - Model Risk Management & Register

  - Risk Taxonomy & Register

  - Event & Loss Management

> ➤ Operational Risk Management

■ **Where Risk*Intelli*Set has excelled:** Organizations consistently state that Risk*Intelli*Set has improved the quality of their risk, control, and compliance related processes and information, often exceeding their expectations. This improves the organization's overall visibility into risk contexts of the organization, while eliminating the overhead of managing manual processes encumbered by hundreds to thousands of spreadsheets, documents, and emails. Clients find that the solution is flexible to adapt to their organization's risk management requirements, has the core capabilities needed, and provides them the ability to grow and mature their program over time. Overall, users find the solution fast to deploy and agile to meet diverse GRC process requirements, with the ability to tie everything together in one place.

What Risk*Intelli*Set Does

GRC 20/20 has evaluated the features and capabilities of the Risk*Business* Risk*Intelli*Set solution set, and finds that it delivers an integrated and harmonized GRC management information and technology architecture to meet the requirements of financial services firms to aggregate and manage risk, controls, and compliance across operational risks. The Risk*Intelli*Set suite provides a solution that is adaptable to the organization's current requirements, and grows with the organization as requirements change and processes evolve.

There are four areas that Risk*Business* delivers in an integrated collection of services, content, and technology that organizations can utilize in parts or as a collective whole. These are:

■ **Risk Content.** Risk*Intelli*Set's Risk Content delivers a risk ontology of varied risk taxonomies that work together to provide integrated classification structure for risk management in financial services firms.

> ➤ *Risk taxonomy.* This delivers a common risk classification structure for the organization that the organization can then modify and apply to their business needs. The taxonomy delivers risk and control categories, event causal types, process/business functions, product types, impact, and others.

> ➤ *Regulation and policy library.* This delivers a library of regulations and laws impacting financial services organizations around the world with associated sample policies to address requirements.

> ➤ *Scenario library.* This delivers a range of scenarios mapped tor risk and events for the organization to utilize in risk scenario modeling.

> ➤ *KRI library.* This delivers a library of standardized operational risk indicators that are cross-referenced to risk categories and processes that

the organization can modify and adapt to their organization, reporting, and risk monitoring requirements.

■ **Risk Information.** Risk*Intelli*Set's Risk Information services delivers curated risk information from other clients and industry sources for organizations to utilize within the Risk*Intelli*Set solution. This includes:

➤ *Benchmarking.* The Benchmarking service is a method to collaborate, anonymize, and share GRC related data and processes to compare how an organization is doing and experiencing in contrast with peers.

➤ *Newsflashes.* The Newsflash services delivers curated news of operational risk events around the world, with a risk classification of these events for easier distribution and alignment with subject matter experts within the organization to get the latest news and events.

➤ *Industry risk profiles.* The Industry Risk Profiles provide collaborative industry research on common perceptions, analysis, and impact of risk to the financial services organization to aid in risk identification, analysis, and treatment.

➤ *Loss consortium data.* The Loss Consortium Data service delivers a mechanism for firms to participate in sharing loss event data that can be anonymizes, aggregated, and built into internal risk modeling for analysis and reporting (e.g., Basel compliance).

➤ *Reputational barometer.* The Reputational Barometer is a curated service of news and social media to measure the reputation of a financial services firm, including impacts from its supply chain.

■ **Risk Platform & Architecture.** The core of Risk*Intelli*Set is a technology platform architecture that includes a range of modules with specific capabilities to manage GRC within a financial services organization. These modules can be deployed individually or as part of an integrated architecture that shares information and insight between the modules. The modules available on the Risk*Intelli*Set platform are:

➤ Capital management

➤ Economic analysis

➤ Models register

➤ Business resiliency

➤ KRI monitoring

➤ Risk appetite

- ➤ Risk and control assessment/self-assessments

- ➤ Risk profiling

- ➤ Scenario assessments

- ➤ General assessments

- ➤ Internal loss data

- ➤ Incident management

- ➤ Litigation management

- ➤ Outsourcing/third party/vendor management.

- ➤ Compliance management.

- ➤ Processes and controls management

- ➤ Internal audit management

- ➤ Information security

- ➤ Governance

- ■ **Risk Services.** Risk*Business* is more than a GRC technology provider, but also an advisory firm that provides a bench of international experts and consultants to help define and build an organizations risk management and broader GRC processes. These services cover the spectrum of management consulting through to implementation of Risk*Intelli*Set technology and content within the financial services firm.

Foundational Capabilities Delivered in Risk*Intelli*Set

Risk*Intelli*Set's ability to manage risk across the organizational contexts is delivered through the capabilities in the solutions technology architecture. These core capabilities include:

- ■ **GRC information architecture.** Risk*Intelli*Set has an information architecture that supports the documentation and management of risks, controls, obligations, and incidents/losses. This includes an information architecture that supports the organization's risk repository, register, assessment, analysis, evaluation, trending, and linkage of risk to controls, and processes.

- ■ **Adaptable and agile implementation.** Risk*Intelli*Set is available in a cloud software as a service deployment. Implementation is typically achieved in a few

months, which is a significant change from some leaders in the market that can take over a year to rollout.

- **Workflow and task management.** Risk*Intelli*Set manages workflow and related tasks, and ensures things are completed when they need to be completed. It has built-in escalation capabilities when milestones are near or missed.

- **System of record.** Risk*Intelli*Set traces and records all actions and activities across the solution, so an organization has a complete system of record and audit trail of what was done, by whom, and when. This provides the ability to defend the organization and deliver evidence of control through complete traceability of actions.

- **Reporting.** Risk*Intelli*Set delivers a range of reporting functions, capabilities, and prepackaged reports, but also allows end users to define their own reports.

Benefits Organizations Have Received with Risk*Intelli*Set

Most Risk*Intelli*Set clients that GRC 20/20 has researched and interviewed moved to the solution because they found their manual, document-centric approaches consumed too many resources, and they found things were slipping through cracks in the continuous barrage of risk management - as well as regulatory and business change. Across these clients, there is consistent praise for the value of the ongoing cost of ownership, the speed of deployment, return on investment, improved effectiveness, and agility to reliably achieve objectives while reducing uncertainty and risk.

Specific benefits that clients of Risk*Intelli*Set have told GRC 20/20 they have achieved in their implementations are:

- *360° visibility into risk and compliance*, where all risk, compliance, and control information is in one place, and gives complete situational and contextual awareness of risk in context of objectives and processes.

- *Reduction in tasks and action items* slipping through cracks.

- *Adaptability* to a changing business environment.

- *Strength of the audit trail and system of record* on what actions were performed, by who, on what date, and time.

- *Elimination of redundant or erroneous data* spread across several spreadsheets.

- *Collection of evidence for risk management* without having to email hundreds of files around between process owners and the team.

- *Less time testing on mundane tasks and controls*, instead of updating spreadsheets and documents.

- *Elimination of hundreds to thousands of documents, spreadsheets, and emails*, and the time needed to monitor, gather, and report on them to manage risk related activities and processes.

- *Significant efficiencies in time* through automation of workflow and tasks, as well as reporting. Specifically, the time it took to report from hundreds to thousands of documents and spreadsheets now is just a matter of seconds.

- *Increased visibility into risk* and how it interconnects with other areas of risk, control, and objectives.

- *Increased awareness and accountability of risk and controls* by business owners who are informed on risk in context of their role.

- *Greater assurance to board and stakeholders* that risk is properly understood and managed in context of the organization's objectives and strategy.

- **Consistency and accuracy of risk information** as the organization conforms to consistent processes and information structures. It has increased quality of GRC information that is more reliable and improves decision making.

- *Enables the application of historical and prospective scenario analysis* to examine the impact on capital allocation.

- *Facilitates understanding of the financial implications* of the organization's scenarios, as well as risk and control profile.

- *Implementation of a single control on multiple risks*, or multiple controls on a single risk.

- *Enable business to enter and manage their own incident reports*, with the benefit of workflow and approval by the second line.

Considerations in Context of Risk*Business* and Risk*Intelli*Set

Every solution has its strengths and weaknesses, and may not be the ideal fit for all organizations in all situations. While GRC 20/20 has identified many positive attributes of Risk*Intelli*Set to enable organizations to achieve consistent risk management processes, readers should not see this as a complete and unquestionable endorsement of Risk*Business* and their Risk*Intelli*Set solution.

There are two key areas that clients have told GRC 20/20 that they would like to see Risk*Intelli*Set improve. These are the user interface and reporting. Both of these have been addressed in the latest version being rolled out that brings a modern user interface to the solution with a more robust reporting architecture. This delivers specifically what clients have been asking for in in a greater ability and granulatiry to do custom reporting.

Overall, clients have shown a high degree of satisfaction with their use and implementation of Risk*Intelli*Set, and enjoy working with Risk*Business*. They find the organization to be agile and responsive to their issues and needs. Clients find that the solution is agile by allowing distributed functions to get what they need when they need it.

About GRC 20/20 Research, LLC

GRC 20/20 Research, LLC (GRC 20/20) provides clarity of insight into governance, risk management, and compliance (GRC) solutions and strategies through objective market research, benchmarking, training, and analysis. We provide objective insight into GRC market dynamics; technology trends; competitive landscape; market sizing; expenditure priorities; and mergers and acquisitions. GRC 20/20 advises the entire ecosystem of GRC solution buyers, professional service firms, and solution providers. Our research clarity is delivered through analysts with real-world expertise, independence, creativity, and objectivity that understand GRC challenges and how to solve them practically and not just theoretically. Our clients include Fortune 1000 companies, major professional service firms, and the breadth of GRC solution providers.

Research Methodology

GRC 20/20 research reports are written by experienced analysts with experience selecting and implementing GRC solutions. GRC 20/20 evaluates all GRC solution providers using consistent and objective criteria, regardless of whether or not they are a GRC 20/20 client. The findings and analysis in GRC 20/20 research reports reflect analyst experience, opinions, research into market trends, participants, expenditure patterns, and best practices. Research facts and representations are verified with client references to validate accuracy. GRC solution providers are given the opportunity to correct factual errors, but cannot influence GRC 20/20 opinion.