

Case Study: **Financial Group Solving Basel II Compliance**

The Challenge

A financial group needed to implement an operational risk management system that would encompass risk self assessment, internal loss data collection, external loss data collection, and key risk and performance indicators.

The Solution

- Implement Asparity's J-Port application with Self Risk Assessment, Loss Events and Key Indicator Modules
- Provide training to configure the application for each department's needs
- Conduct a "Train-the-Trainer" program
- Begin gathering required loss data for regulatory mandates
- Conduct departmental interviews to determine Risk and Control Self-Assessments (RCSAs)

The Results

- All departments began conducting risk self assessments via Self Assessment Module
- All departments began collecting loss event data via Loss Events Module
- Losses are allocated to the appropriate functional areas within the organization
- Assessment data will be rolled up to top levels for management reporting by the end of 2006
- By the end of 2006, a holistic view of the total risk exposure of the organization will be produced

The Story

The financial group has international banking operations in over 50 countries world wide. The group's goals were to create an integrated risk platform to manage all associated operational risk.

The group wanted to implement an application that would meet the differing needs of multiple departments and hundreds of users. Management was most concerned with reliable risk assessment and loss data across the organization.

The group had a very structured approach to identify the correct solution for its needs.

- They first identified the vendors that offered operational risk toolsets. They then viewed initial demonstrations from the vendors. The list of vendors was cut to a select list and an RFP was released.
- The responses from the RFP were reviewed and three companies were invited for a three day working session. During this session, the functionality and flexibility of J-Port was matched with the group's business requirements.
- The group then contracted with Asparity for a 90-day pilot of J-Port running on Asparity's servers, and determined that a phased approach to the project would work best. The first phase would be loss events. During the pilot period Asparity worked with the team to setup the flow of data entry into the Loss Events Module as well as create a number of custom reports that were requested.
- The success of the pilot was assured early in the 90-day period and contract negotiation began and implementation plans were finalized. At the end of the 90 days, the contract was signed and the move to production began.

The group's staged approach to rolling out the application globally was quite aggressive. Through the support of senior management, the operational risk management team was able to bring together the right personnel to evaluate each department's needs and coordinate the configuration and setup of J-Port's individual modules.

Asparity's technical installation team worked onsite with the IT staff to facilitate the installation of the applications. The applications were first installed in a test environment to ensure proper compliance and functionality. After load and functional testing, the application was moved into the production environment.

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The phased rollout was done in a coordinated manner beginning with the Loss Events Module. Once the Loss Events Module was configured and being utilized, attention was turned to the Self Assessment Module. During each of these configurations, attention was given to the users needs, both for input and output needs.

The ultimate goal was to create a holistic approach to managing risk that would achieve:

- A first global view on operational risk exposures and components
- Cost minimization through the consolidation of risk information to a single platform thereby reducing the expense of operating multiple systems.
- Personnel efficiencies by creating a consolidated reporting repository for reporting risk information.
- Corporate transparency by utilizing a single platform for both internal and external reporting of risk information.
- Identification of root causes and trends in operational losses

The toolset which has been implemented now allows for integration among operational risk, internal audit, information security, and regulatory compliance requirements, and should give management the ability to pinpoint areas of critical risk and identify the regulations and controls that are affected by the risks.

Today, the group has a comprehensive and flexible operational risk management toolset. Each department is gathering and assessing data in accordance with their needs and aggregating the risk exposure at the appropriate levels within the organization. Internal governance groups have a convenient method to collect, analyze and report on all governance mandates. And, senior management and regulators have easy access to data at any level within the enterprise.



Asparity provides decision support and data solutions in the areas of employee benefits, operational risk, and workforce talent management to companies in the United States and around the world. Asparity owns patented technology in conjoint analysis and software applications that it delivers directly to corporate clients and through strategic partners.

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