



Service Offering

Risk Management

Holistic risk management
as strategic value driver

Agenda



Why risk has to evolve



Risk's role as value driver



Our value proposition



Value delivered

Why the Role of Risk Has to Evolve

The digital transformation requires risk management to adopt to a proactive approach that is more attuned to a dynamic risk landscape while enabling innovation, enhancing trust and allowing value creation

NEW BUSINESS MODELS



Industry disruption

Disintermediation of banks value chain by specialized competitors (fintechs, neobanks). Competition with them entails investment and the need for increased risk-taking.



Economic downturn

Significant credit losses appear inevitable as governments will unwind their support measures. Regulators will push for more proactive NPL resolution strategies.



New normal

As working from home is about to be established as the 'new normal', cyber security breaches fostered by unsecured networks are rising.



Talent shortage

Push business model innovations reveal operations skill gaps in various in-house functions (e.g. IT sec, AI, agile).

REGULATORY PRESSURE



ESG

The integration of environmental, social and governance considerations into business strategies and risk management frameworks remains ongoing.



Financial crime

Regulators push firms to enhance their AML/CTF capabilities. Companies will be under increased pressure to supplement transaction monitoring arrangements.



Outsourcing

EBA defined stricter guidelines for scrutiny of outsourcing arrangements regarding risks associated with vendors of critical services, as well as their suppliers.



Basel III

The latest BCBS accord causes a high level of burden on standard approach banks, but also for IRB banks, which will have to run two sets of capital requirements in parallel.

TECHNOLOGICAL ADVANCEMENTS



Cloud provider resilience

As more companies continue to migrate services to the cloud, regulatory concerns regarding the resilience of cloud service providers (e.g. hacks, outages) will increase.



Ethical AI

Due to cases of AI discriminating minorities, an increased focus of regulators will lie on ensuring that companies' use of AI is compliant, ethical and robust.



Cyber resilience

New technologies create novel cyber and data privacy vulnerabilities, aggravating an increasingly complex cybersecurity landscape that is hard to assess or monitor.



Robotic Process Automation

The security and the governance of RPA is essential as these automation solutions have access to various sensible and confidential data.

Redefinition of Risk as Strategic Value Driver

In the face of these changes, we believe risk management needs to develop new capabilities to provide holistic, forward looking and decision-supporting information to business



HOLISTIC RISK APPETITE

No business can thrive without taking risks. Driven by shifts within the risk landscape due to the rise of non-financial risks, business **model disruptions and innovations**, institutes will have to reassess their risk appetite to stay competitive.



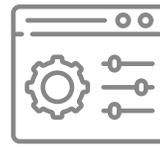
Instead of risk avoidance, banks should specify a **conscious level of risk taking**. Both opportunity and risk, as well as business strategy, values and the competitive environment must be considered.



Positive and negative deviations from the risk appetite corridor should be **dynamically reflected** in the risk appetite. To enable this, the impact of decisions on all material risks must be understood.



Banks must assess whether their risk appetite is adequately reflecting **control effectiveness** and increase their investments in control capabilities.



PROACTIVE RISK CONTROL

Banks have been well-equipped to firmly manage cyclical, financial risks. The **structural changes** at work threaten to disrupt those longstanding economics. To act on the emerging risks, rather than just observing threats, institutions must embrace proactive risk control.



Proactive risk management supports building an understanding required to measure and manage emerging risks giving organizations a better view of tomorrow's risk and how it impacts their business.



Institutions must **analyze their processes** to determine potential risks, understand their root cause and assess probability and impact to prioritize risks and prepare a contingency plan accordingly.



Banks need a **continuous KPI monitoring** for internal and external risk factors to enable timely proactive risk control.



REAL-TIME DECISION SUPPORT

To be seen as a strategic value in decision making, risk management must keep up with the **dynamic risk landscape** and be able to timely assess risks and opportunities of business decisions based on rapidly evaluated data.



Automated risk reporting processes enable a holistic view on risks and their consequences, improved transparency due to more consistent and complete data and thus improved decision making.



Real-time risk reporting enables various analytic approaches (scenario analysis, what-if analysis) that can be used for reliable evaluation basis for business decisions taking uncertainties into account.



Banks need to implement an automated but **dynamic feedback loop** to continuously learn from risk events thus improving processes and controls.

Our Value Proposition

A holistic risk management framework requires improved risk identification, assessment and monitoring capabilities to provide forward-looking decision support thus contributing to value creation



Risk Identification

An effective identification of risks is the basis of sustainable risk management. Insufficient risk identification can lead to **losses, reputational damage** and **imprudent decision making**.

We support you in the timely identification of known and emerging risks utilizing **cutting-edge analytics** to enable real-time decision support.

With the implementation of AI algorithms, we assist you in the detection of anomalies indicating fraud transactions or cyber threats, thus enabling **proactive counter measures**.

Risk Assessment

As the result of new and disruptive business models, technologies and an ever-changing regulatory framework, the assessment of risk has become **increasingly complex**.

We support you in the assessment and optimization of your risk models, scenario analysis and response to general as well as extreme events by identifying the underlying **causes of emerging risks**.

Not only the assessment of your risks, but also our **evaluation of your countermeasures** taken can reveal insights and optimization options.



Risk Monitoring

A **holistic view** of your companies' risks due to transparent risk monitoring is essential to enable proactive risk control.

We help you designing and implementing interactive data management- and visualization solutions, to enable **efficient and transparent risk reporting** and feedback loops to your companies' stakeholders.

We offer an exhaustive evaluation and analysis of your **risk factors** and their assigned thresholds to create valuable insights, thus enabling proactive actions and preventive countermeasures.

Value delivered

Risk Identification

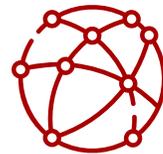


“Risk management needs to evolve from risk control to risk intelligence, identifying not only threats but also business growth opportunities.”



Media Monitoring

Could the Wirecard scandal been foreseen? A continuous tracking of information sources (e.g. news, twitter, reviews) enables a real-time assignment of risk factor scores (e.g. reputation, counterparty), thus helping banks to identify emerging risks early and initiate mitigations proactively.



Network Analysis

To minimize financial and legal exposure as well as reputational risk, network analysis provides a holistic picture revealing potentially damaging relationships between customers, counterparties, suppliers and other third parties, thus enabling proactive mitigation actions.



Fraud Detection

47% of companies experienced a case of fraud in the past 24 month. Machine learning algorithms enable the identification of known and unknown risk patterns, thus allowing a timely intervention and mitigation of fraud transactions and credit applications.



Cyber Threat Detection

Cyber criminals will steal an estimated 33 billion records in 2023. By analysing network activities with AI anomaly detection algorithms, cyber security intrusions can be timely detected, thus protecting your company from massive reputational and financial losses.

Value delivered

Risk Assessment



“Risk models only have value if they are used effectively in combination with a risk appetite management and control process.”



Mitigation Assessment

Identifying the most effective mitigation is an essential element in risk management, yet the majority of businesses has limited information about their effectiveness. The analysis of the status and effectiveness of past mitigation actions enables the identification of process and mitigation optimization options.



Scenario Analysis

Challenging your assumptions about the future and determining your institutions ability to cope with alternative and adverse scenarios allows to assess the adequacy of your allocated risk capital and improves your planning in an uncertain environment.



Root Cause Analysis

Analyzing the underlying causal factors of individual and connected risks enables the identification of causal risk factors, the assessment of their impact and the implementation of the most effective solution as well as proactive mitigation actions.

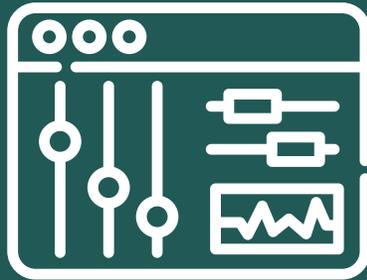


Model Risk Assessment

To adapt to the emergence and rising importance of non-financial risks, traditional models need to be improved. Reassessing your underlying model quality in common and extreme scenarios gives access to further improvement options.

Value delivered

Risk Monitoring



“Organizations take risks all the time but fail to monitor and manage these risks effectively in an environment that demands agility.”



Risk Factor Thresholds

As part of the monitoring process, the thresholds and impacts of risk factors should be reviewed at the beginning of each risk assessment cycle to identify the processes that may be subject to increased risks and, as such, would derive the greatest value from risk assessment.



Interactive Dashboards

The implementation of interactive cross-platform data management tools enables effective and timely risk department collaboration, thus enabling well informed, data-driven business decisions.



Internal Control System

An internal control framework, an implemented standard connecting the processes of identification, measurement, monitoring and reporting, enables maximal transparency by using homogeneous data sources while improving the communications within the risk management departments.



Risk Factor Tracking

The identification and monitoring of causal factors and dependencies of risk events presents valuable information, thus enabling pro-active actions as well as preventive countermeasures.

Contact us



Marco Gerblinger
Partner

 info@auctabis.com

 +49 176 5695 6106



André Koriath
Director

 andre.koriath@auctabis.com

 +49 151 5600 1583

