



cutting through complexity™

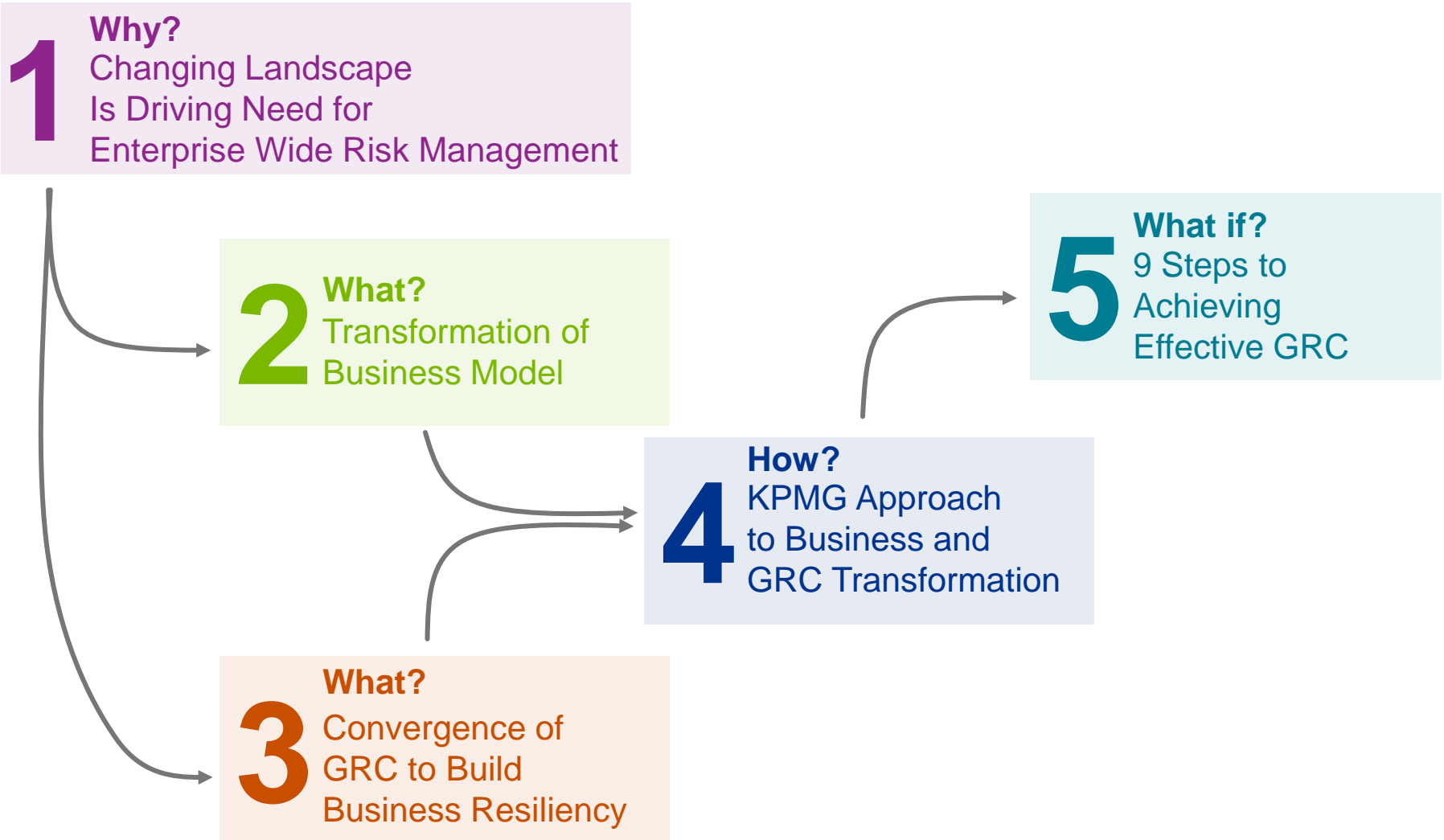
Turning Risk into Advantage

How Enterprise Wide Risk Management is helping customers succeed in turbulent times and increase their competitiveness

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Presentation Overview



Strategic Risk Management is Underutilized Risks

A recent KPMG-sponsored survey conducted by the Economist Intelligence Unit found that strategic risk management is underutilized in many companies.

Risk Identification and Management

- Emerging risk identification and management remains an immature activity.
- Only 35% of the companies are effective at anticipating and measuring emerging risks.

Key Business Decisions

- Only a minority of companies involve risk functions in key business decisions
- Less than 50% involve their risk functions formally in any strategic decision.

Appetite for Investment

- There is limited appetite for investment in the risk function – less than 50% have invested in risk processes.
- Less than 25% have allocated funds for headcount or training of managers in the risk function.

Role of the Board

- Only 55% of the respondents think that their organization is effective at keeping board aware of the key risk issues.
- There are doubts about the risk expertise of nonexecutive directors.

Over **249** million people affected by
Hacking since 2007

514 million people
affected by data loss since 2007

Breaches within
Financial Services
have affected a third of total records lost
or stolen since 2007

Over **10 million** people have
had their personally identifiable
information lost or stolen in 2010

KPMG Data Loss Barometer 2010: The Data Loss Barometer analyzes data loss incidents reported around the world since 2005.

Top Concerns for Audit Committee Risks

Aside from financial communications, disclosures, and related controls, what three issues will pose the greatest concerns for your audit committee in 2012?

1 Governance Processes, Controls & Risk Management

2 IT Risk & Emerging Technology

3 Uncertainty (Economic, Political, Social)

Top Concerns for Audit Committees in 2012

Aside from financial communications, disclosures, and related controls, what three issues will pose the greatest concern for your audit committee in 2012?

1. Governance Processes, Controls & Risk Management
2. IT Risk & Emerging Technologies
3. Uncertainty (Economic, Political, Social)
4. Information Privacy / Security and Cyber-security
5. Fostering Growth & Innovation
6. Board Composition / Skills / Expertise (e.g., IT)
7. Legal / Regulatory Compliance
8. Leadership / Culture / Tone at the Top
9. Tax Risk
10. Interactions with Auditors

How satisfied are you that your governance processes and controls, including risk management – are keeping pace with the changing technology?

43% Not satisfied

51% Somewhat satisfied

6% Satisfied

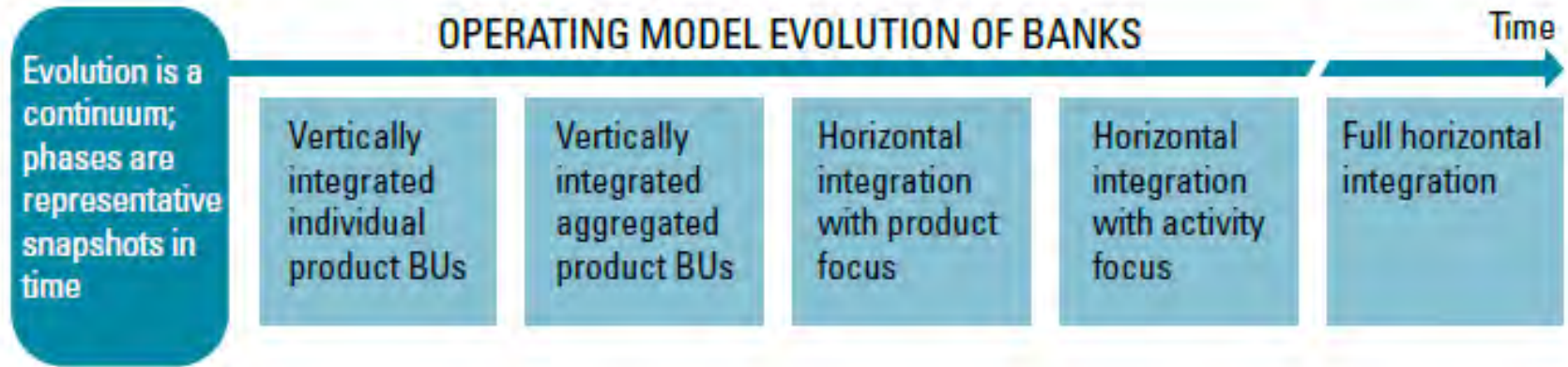
New Business Models Will Continue to Evolve Transform



“ **The End of Universal Banking: The Era of Centralization and Single Platform is drawing to an End** ”

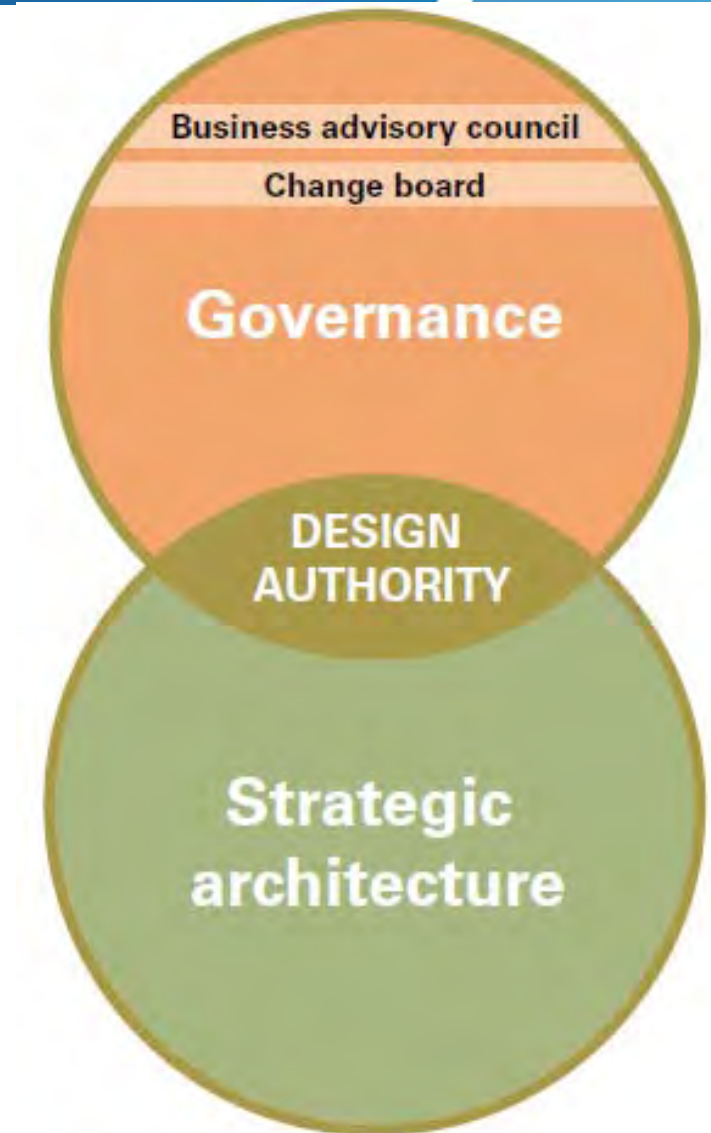
“ **The Disintegration of the Value Chain: The Banking Regulators a keen to destroy the concepts of banks being too big to fail.** ”

New Business Models Will Continue to Evolve Transform



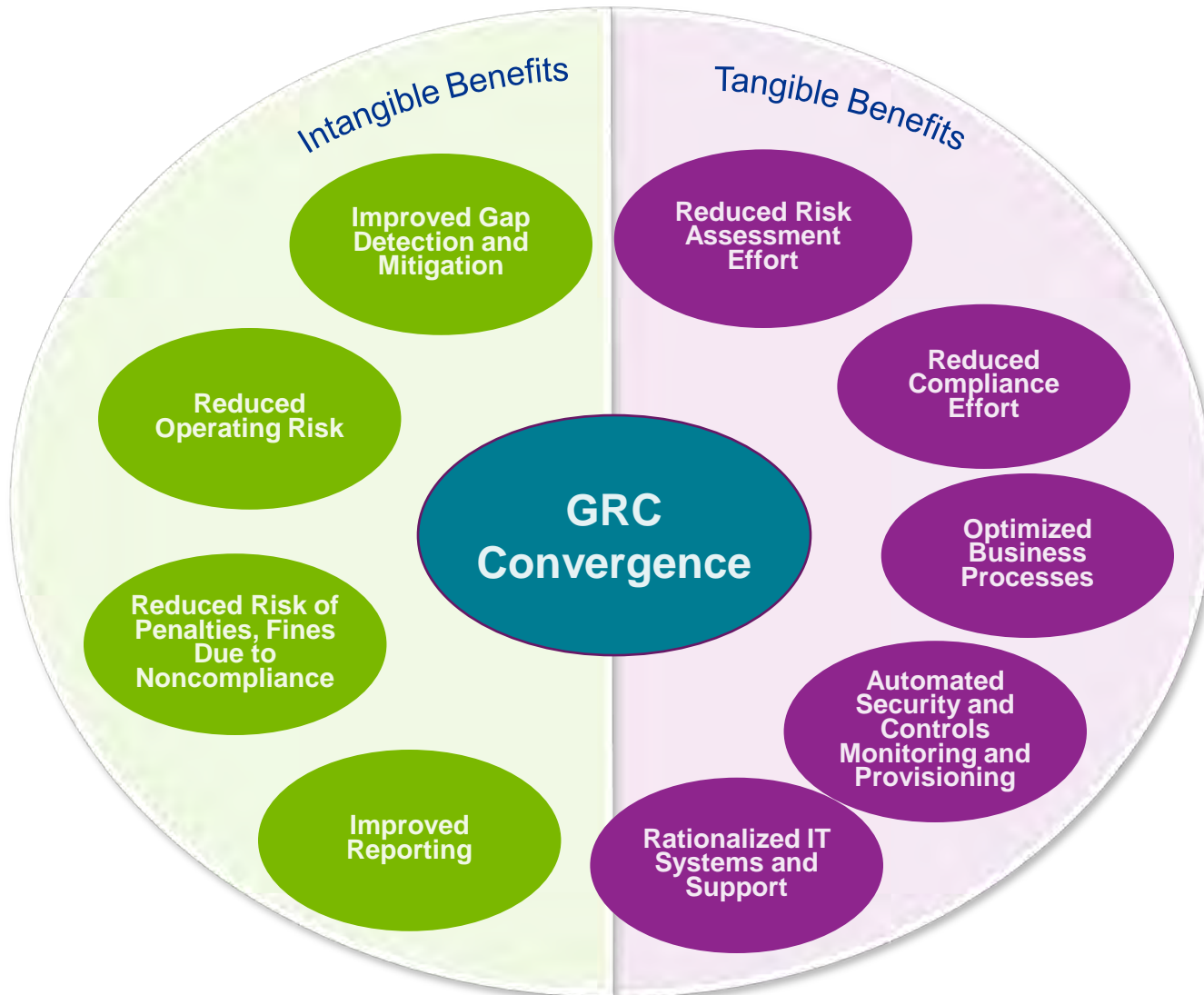
“ Banks should transform themselves by simultaneously redesigning their business models, operating models and legal structures. ”

“The role of the design authority is to oversee not only the governance framework, but the practical implementation of the operating model.”



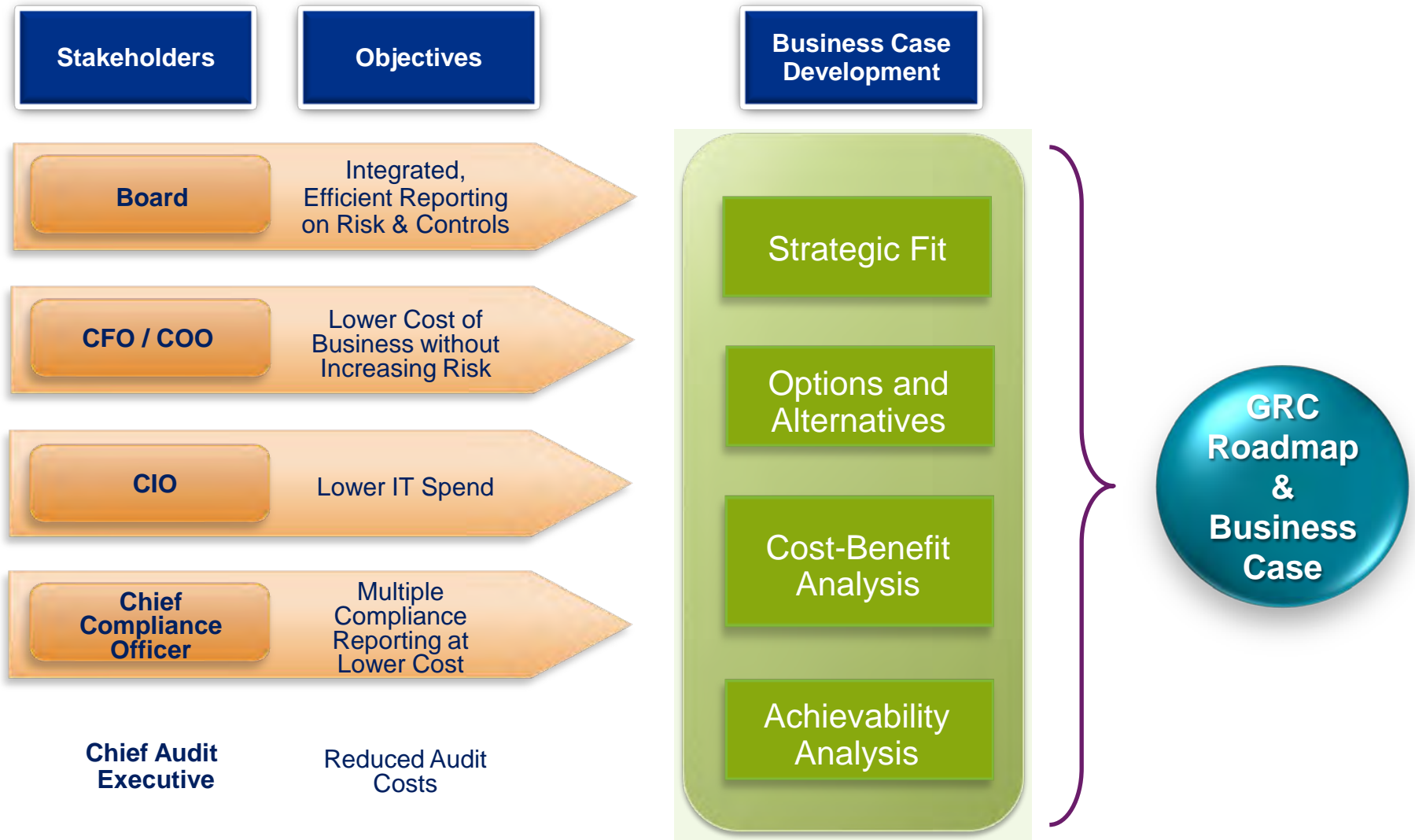
Drive Performance Through Convergence of Risk Programs

Convergence



Drive Performance Through Convergence of Risk Programs

Convergence



I

Risk Management Framework and System

- Identifying Emerging Risks and Improvement Opportunities
- Risk Appetite and Thresholds/Choice Architecture
- Delegated Authority and Limits
- Policy Statements

II

Culture and Behavior

- Three Lines of Defense – Embedding Risk Management into the Organization
- Understanding Risk Culture
- Tone at the Top and Tone at the Middle
- Compensation Linked to Risk Outcomes

III

Risk Governance Structure

- Leveraging Assurance Processes
- Composition/Responsibilities of Board Committees with Respect to Risk Oversight
- Board Reporting to Facilitate Challenge
- Defining Effective Risk Oversight Objectives



Streamlined review and oversight processes



Reduced burden on business personnel



Enhanced risk management



Increased ability to comply with new laws and regulations



Increased efficiency by using a common language and structure on process, risk, and control



Greater leverage among risk management and compliance functions

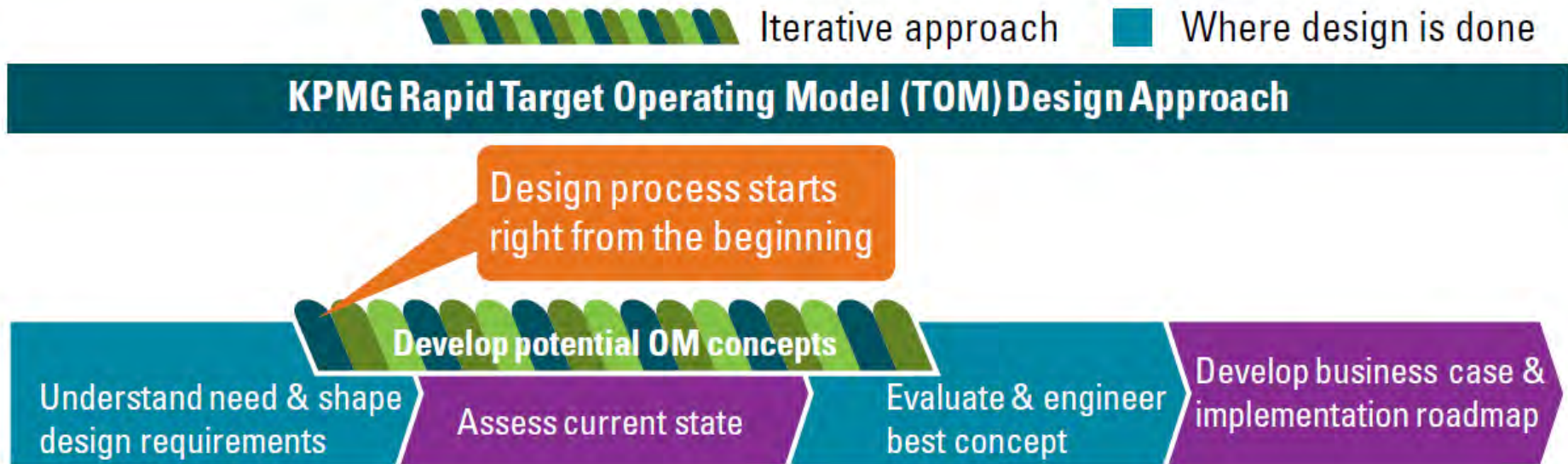


Increased effectiveness and efficiency in risk management and compliance



Improved cost rationalization and optimization of the company's risk management investment

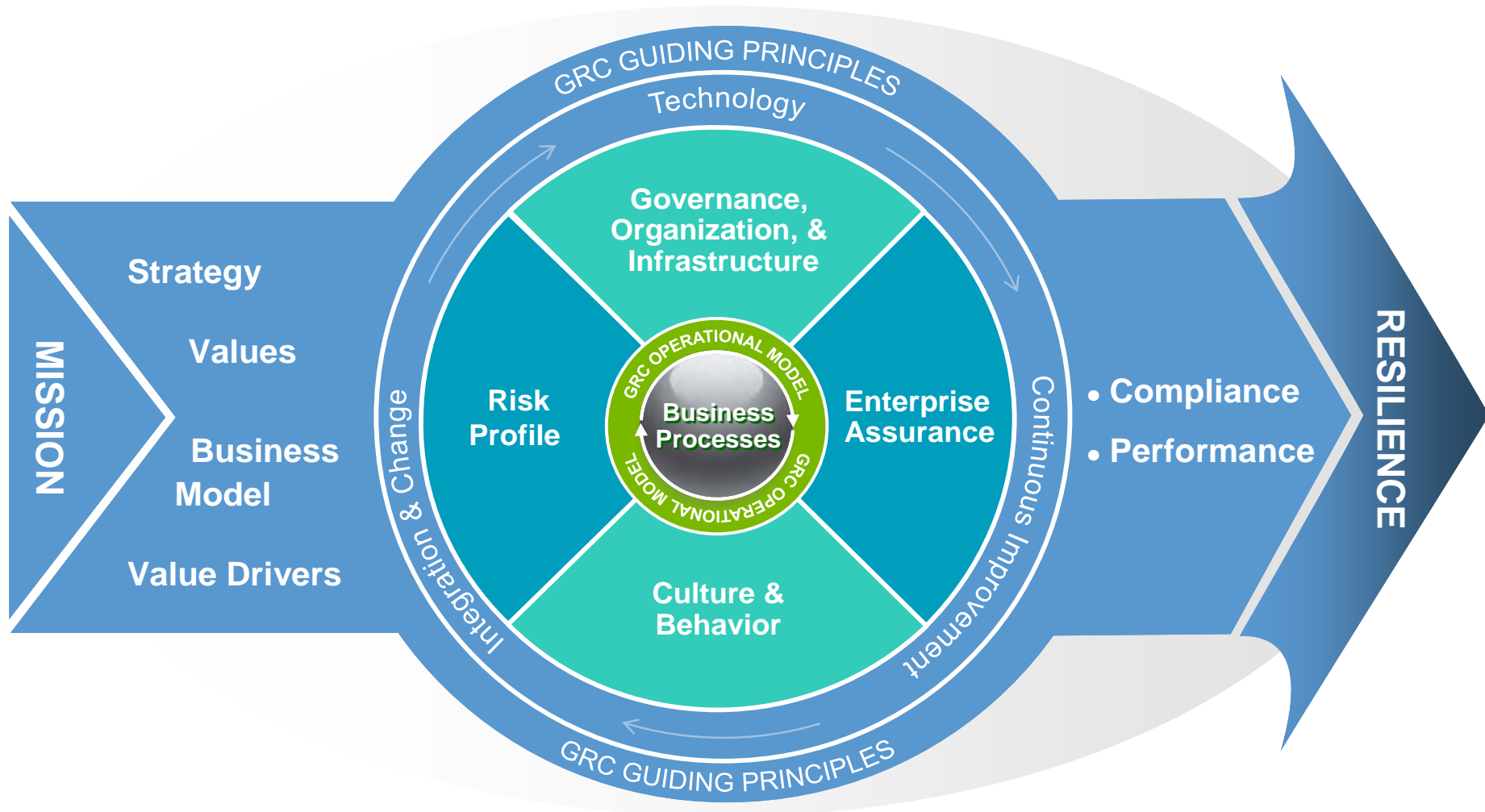
New Business Models Will Continue to Evolve Transform



“ **Developing a new Operating Model:** The traditional linear approach is not effective when uncertainties and complexity is high. Design thinking, creative and innovative design processes are required. ”

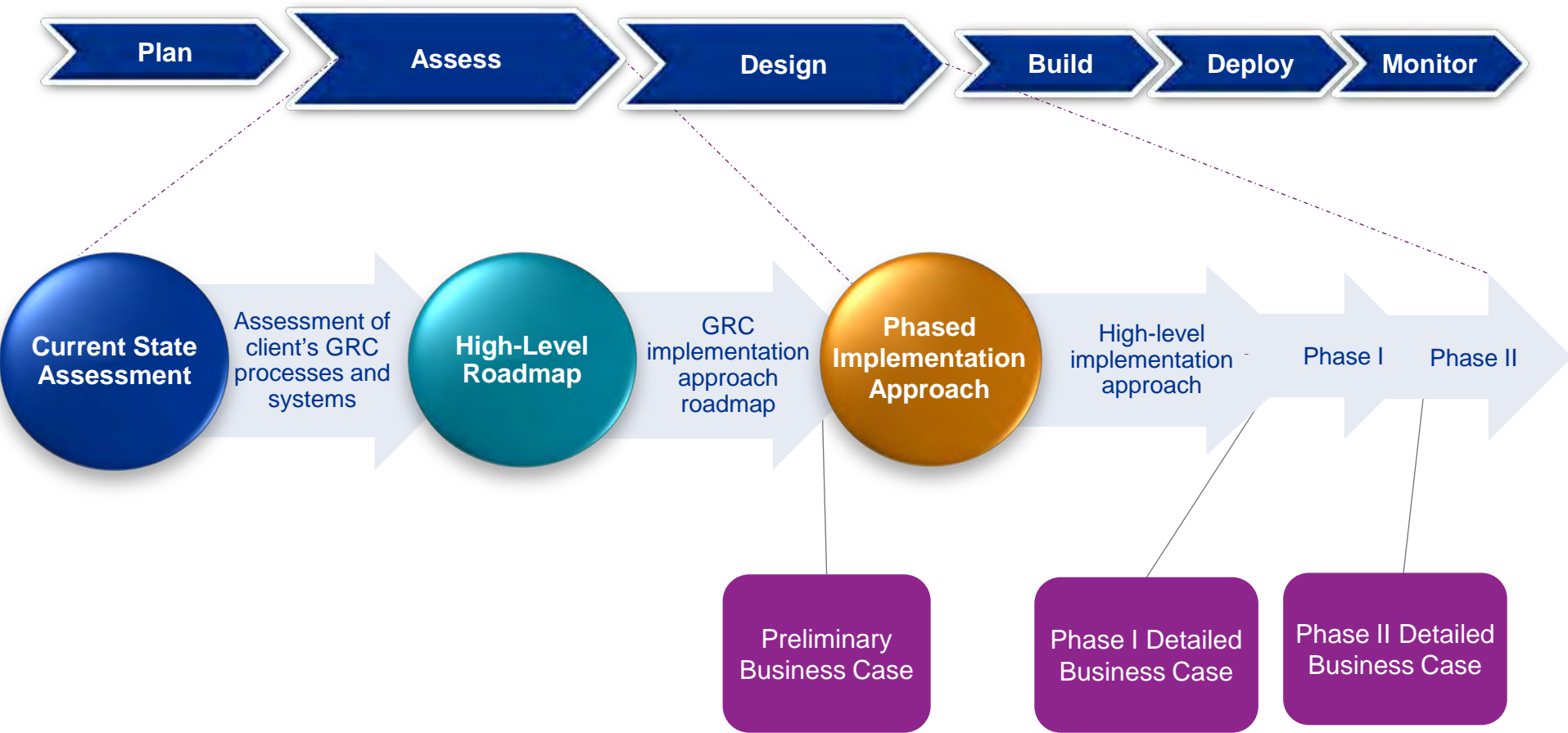
Governance, Risk and Compliance

Building Business Resiliency and Competitiveness



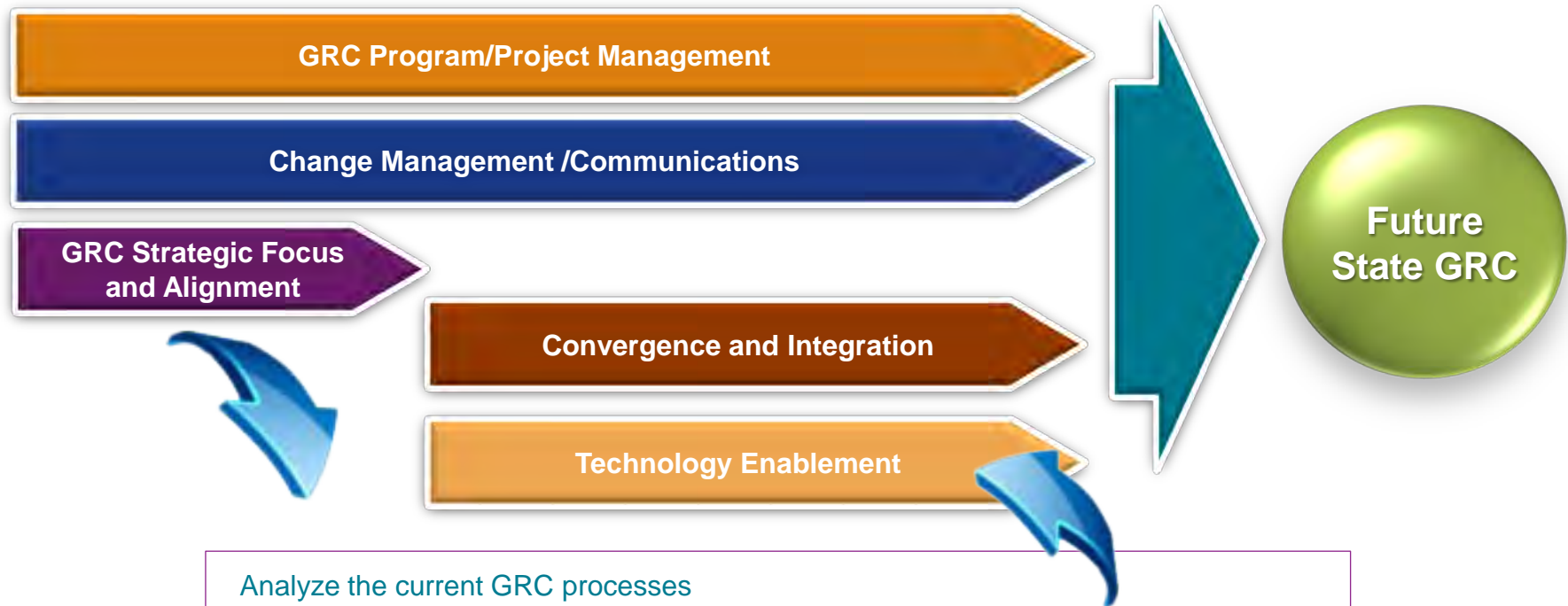
Governance, Risk and Compliance

Building A Business Case for Change



Governance, Risk and Compliance

Building A Business Case for Change



Analyze the current GRC processes

Baseline current costs, risks, benefits, and service levels

Develop future-state requirements and summarize benchmark comparisons, findings, and results

Summarize costs, risks, benefits, and benchmarks

Develop and discuss alternatives for future state GRC processes with key stakeholders to obtain consensus

Document results into a draft business case

9 Steps to Effective GRC Achieving Success

Secure support and endorsement from the executive leadership team.

Build a governing structure and develop a steering group comprised of leaders from each of the functions included in the convergence efforts, headed by a senior-level leader.

Consider all key internal stakeholders and regulatory regimes in the convergence effort and identify all requirements to be accommodated at the outset.

Establish guiding principles to ensure alignment with strategic objectives, cross-company buy-in, and consistent progress.

Begin with well-defined risk assessment processes.

Establish a clear change management plan and implement it throughout the program.

Be aggressive, but prudent, targeting achievable goals most meaningful to stakeholders.

Take an extended view across the organization to identify opportunities beyond converging control and compliance to other organizational and process changes that may benefit the organization.

Think people, process, and data: don't let a tool or technology alone drive the convergence process.



cutting through complexity

Thank you

Make Risk Management Improve Your Competitiveness

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