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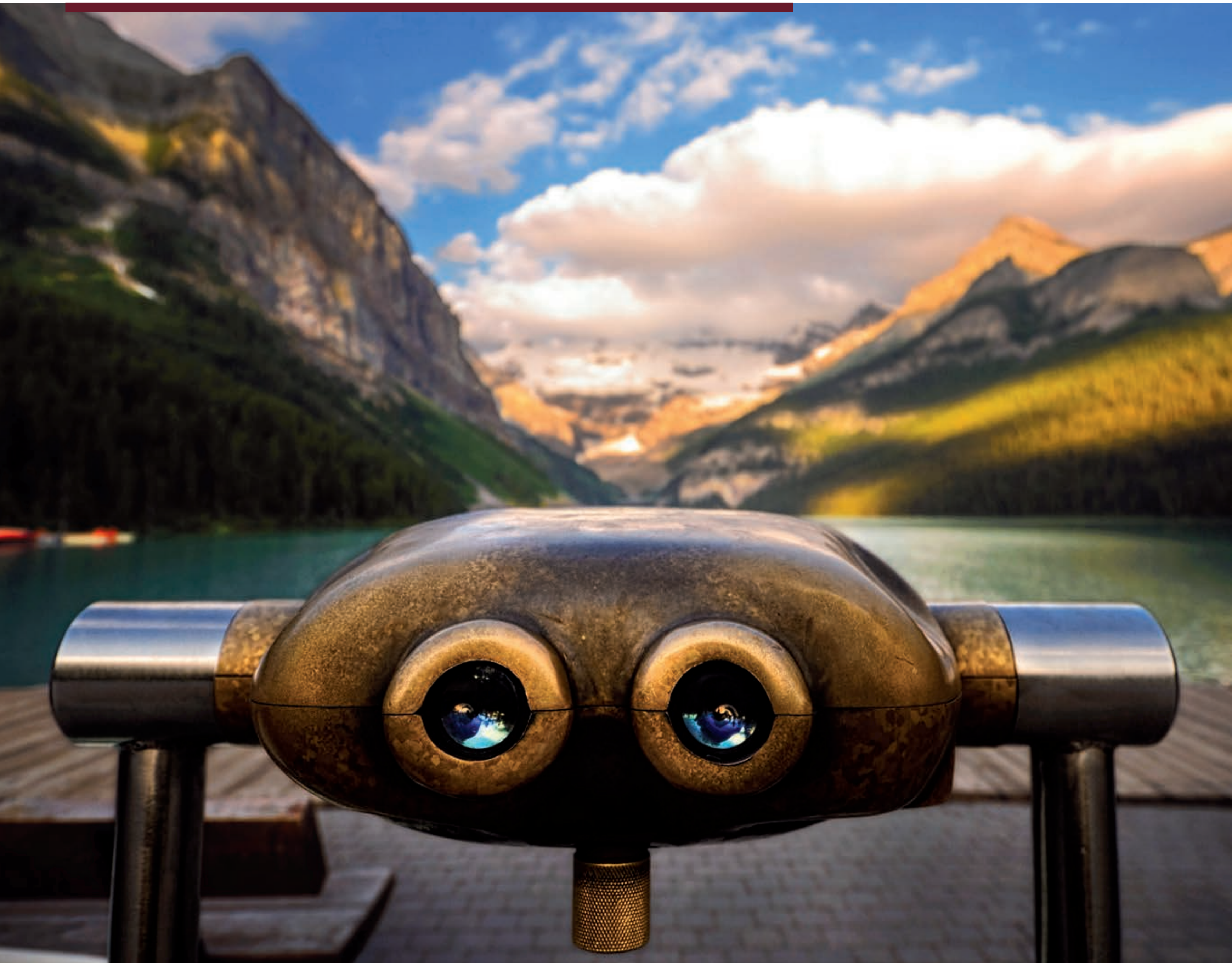
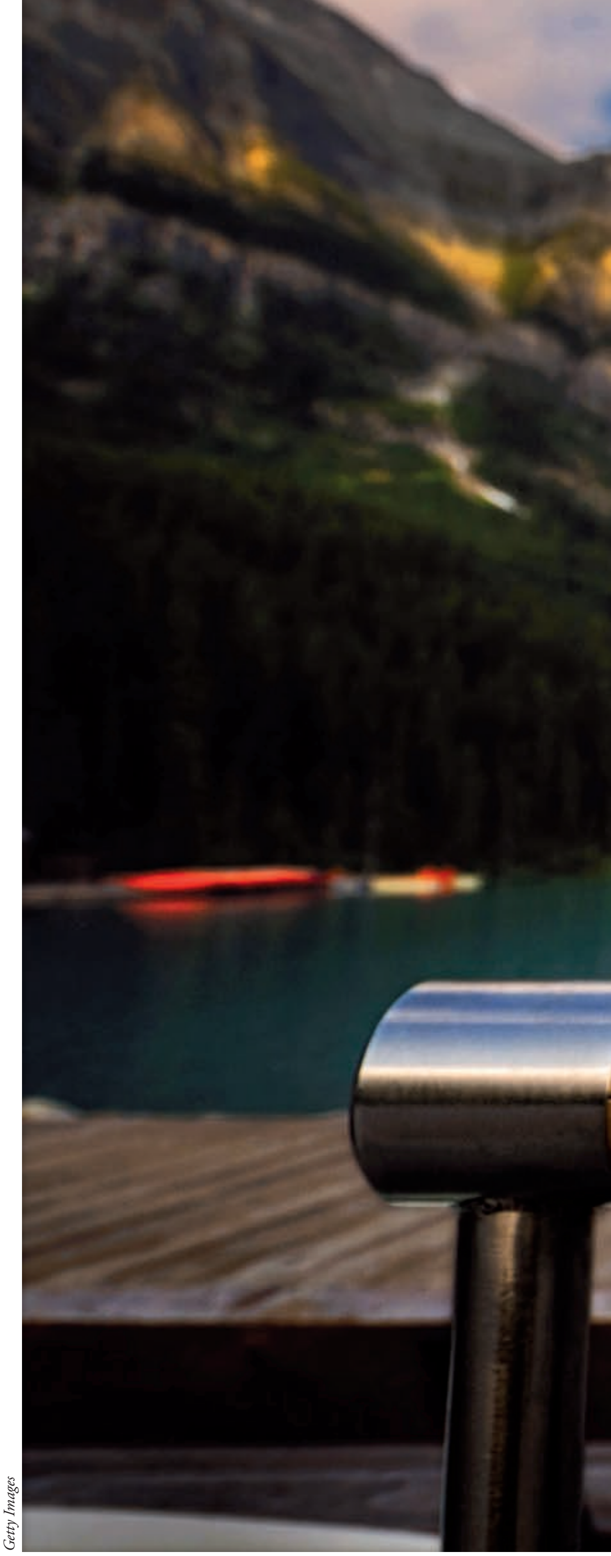


OPERATIONAL RISK ■ CORPORATE GOVERNANCE ■ FINANCIAL CRIME ■ REGULATORY COMPLIANCE

Operational Risk & Regulation Awards 2014

The long lens of the law

ORR Awards 2014



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THE WINNERS

Bank of the Year
Nordea

Regulator of the Year
Mark Carey

Paper of the Year
'A Bayesian Approach to Extreme Value Estimation in Operational Risk Modelling', by Bakhodir Ergashev, Stefan Mittnik and Evan Sekeris

Fraud and Financial Crime Software Provider of the Year
Oracle

Operational Risk Software Provider of the Year
Thomson Reuters

Law Firm of the Year
Stephenson Harwood

GRC Platform of the Year
Wolters Kluwer Financial Services

Consultancy of the Year
KPMG

Reporting and surveillance have been among the biggest challenges for the financial sector in 2013 – the steady and strengthening flow of news about benchmark rigging, money laundering, mis-selling and other control failures have left regulators around the world with the impression that the industry cannot be left unsupervised for a moment.

The result – and this is a trend that has been under way since the crisis itself – is a constantly growing requirement for banks and other financial entities to report more and more details of their operations, their internal structure and controls, their policies, their customers and their transactions to various national and even international regulatory organisations. Hasty deadlines, uncertain reporting requirements and harsh penalties for non-compliance make this a difficult period for banks, and their operational risk managers in particular.

The US Foreign Account Tax Compliance Act (Fatca) is one of the most salient examples. Due to come into force in July, the uncertainty around its requirements – particularly in relation to the various intergovernmental agreements (IGAs) put in place to implement it – continues to cause alarm. But it is just one of many cases: tighter anti-money laundering (AML) and anti-corruption requirements are also coming into force, the spread of sanctions as a foreign policy tool will also mean heavier data requirements at the customer onboarding stage, and the need for regulators to have a better picture of exposures across the critical parts of the financial system will mean still more reporting and modelling effort at institutions judged to be systemically significant.

Our awards this year recognise the institutions that have done best in this and other areas of operational risk management – and the companies that have

supported them. **Nordea**, our Bank of the Year, has stood out for its emphasis on AML, and its practical, risk-based approach to business continuity and crisis management. On the other side of the fence, the Federal Reserve Board's **Mark Carey** has won praise from the industry – and our Regulator of the Year award – for his tireless efforts to help the US banking industry to meet new requirements on improved compensation schemes and back-testing processes.

And a focus on the need to save money – and reputations – by clamping down on illicit transactions has led many banks to seek help from **Oracle**, our Fraud and Financial Crime Software Provider of the Year. The increasing overlap between previously separate types of risk has made unified risk management ever more valuable – **Wolters Kluwer Financial Services** wins the Governance, Risk and Compliance (GRC) Platform of the year award for its successful and popular efforts in this direction.

Law Firm of the Year, **Stephenson Harwood**, has been at the centre of some of the highest-profile regulatory cases in the UK, representing clients against the SFO and FCA. Dealing with evolving regulatory requirements and the need to improve overall risk management earned **KPMG** the Consultancy of the Year award. And ease of use and flexibility were the key features in **Thomson Reuters Accelus Risk Manager**, our Operational Risk Software Platform of the Year for the second year running.

Meanwhile, banks themselves have been wrestling with the problems posed for operational risk modelling by the shortage of reliable loss data – a novel approach to this problem, using elicitation techniques for expert opinion and Bayesian analysis, won **Bakhodir Ergashev**, **Stefan Mittnik** and **Evan Sekeris** our Paper of the Year award.

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GRC Platform of the Year

Wolters Kluwer Financial Services

The challenge for GRC for many companies has been to move from a collection of legacy systems, silos and spreadsheets to a unified approach. We recognise Wolters Kluwer Financial Services' contribution to this area

Formalised platforms have been steadily replacing *ad hoc* collections of spreadsheets, memos and meetings as a means of measuring and monitoring three key areas of a financial institution's operations: governance, risk and compliance, or GRC. Because the three aspects have become more and more intertwined in the face of what seems like never-ending regulatory obligations, financial institutions are favouring a holistic approach over the traditional, pre-crisis siloed approach to recording and measuring GRC.

GRC platform vendors are also having to move with the times in order to make sure they provide the up-to-date and up-to-scratch GRC platforms that are required in a regulation-heavy world.

This year's winner of *Operational Risk & Regulation*'s GRC Platform of the Year award has kept itself, and therefore its clients, well ahead of the game when it comes to making sure its platform covers all the regulatory angles financial institutions now find themselves facing.

Wolters Kluwer Financial Services' GRC solution, *ARC* Logics, is used by more than 900 banks, insurance companies and asset managers to support their risk, compliance and audit processes. And the space continues to grow, according to Todd Cooper, general manager of enterprise, risk and compliance at Wolters Kluwer Financial Services: "I would say over the last five years institutions have been making continuous investment in this space. We've seen an emphasis on GRC go through the roof and this has become the primary driver for financial institutions."

The US Dodd-Frank Act has given rise to numerous supervisory expectations both in the form of new regulatory obligations and changes to existing ones, and this has driven institutions to move towards consolidating their GRC on a single platform, Cooper explains. This, combined with regulations such as the US anti-tax-evasion law, the Foreign Account Tax Compliance Act (Fatca), and the Solvency II insurance capital rules, means institutions are turning to GRC platforms now more than ever.

"Dodd-Frank and Fatca have had a tremendous impact on global operations and are not just localised to the US or to the UK. Every bank has a team that is focused on tracking and implementing Dodd-Frank changes throughout the enterprise, and that's a huge challenge. We are also hearing more on Solvency II in Europe and the own risk and solvency assessment (Orsa) obligations in the US insurance market."

On top of this, control failures such as Libor and other rate-setting scandals mean rule-makers are expecting to see firms develop tighter compliance functions. "They view these events as proof positive that these organisations don't have controls in place to ensure that they're operating in a positive way on the market, and therefore [the regulators] are pushing for change," Cooper says.

As an example of the activity Wolters Kluwer Financial Services has undertaken in this area over the past 12 months, it provided a GRC platform for a top 10 global bank in order to help the bank manage its financial crime controls and workflows, covering the anti-money laundering, sanctions, anti-bribery and anti-corruption programmes. "This example really highlights how the change can manifest itself," Cooper says. "This is an organisation that had to make sure they were in compliance with 48,000 different rules across 70 different jurisdictions."

Regulators also want to see evidence that the company is connecting its op risk information to an actual risk and control framework. "You have to make sure that it's not just information that is left isolated but rather becomes part of an ongoing programme for compliance," says Cooper. "The Orsa is forcing US insurers to take more of an operational risk focus and try to figure out how to model that effectively."

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Todd Cooper, Wolters Kluwer Financial Services