FROM COMPLIANCE TO
COMPETITIVE ADVANTAGE
An Evolutionary Approach to Risk Management
Transformation Strategies
Take Control of Data, Take Control of the Business

We’re at a critical turning point for risk, finance and compliance functions in the banking sector. Faced with the dual pressure of increased regulatory activity and ongoing economic pressures, organizations are looking to transform the role of these activities by bringing them under a single, enterprise-wide framework.

Oracle provides a clear, scalable solution: A framework that evolves with the business, accommodates existing third party or in-house applications, and provides a consistent, long-term environment for all risk activities. Above all, it offers complete visibility and control over data irrespective of the source application.

It’s hardly surprising that so many banks plan to transform their risk function. Consolidating disparate activities has the potential to accelerate and drive down the cost of compliance and deliver real competitive advantage. The results of a recent survey indicate that nearly 50 percent of financial institutions have identified compliance as an opportunity to differentiate themselves from the competition (Figure 1).

Like any challenge on this scale, the ability to execute against the regulatory change will determine the future winners. This is no longer just about ‘rule compliance’, but regulatory compliance becoming part of “business as usual”.

This necessitates the accuracy, completeness and availability of data that supports risk and finance and business activities across the entire enterprise. From stability and systemic risk, to supervision and corporate governance, it presents a hugely complex challenge to the people charged with delivering to this goal.

Data: The lifeblood of the business

Many entities retain systems that lack a holistic view of data and continue to struggle against an existing siloed approach where each solution is associated with its own set of applications. In addition, organizations lack a credible alternative to short-term tactical fixes and wholesale rip-and-replace deployments. In short, where there is no control of data, there is no control of the business.

Regardless of the way you look at these issues, from business challenges to regulatory driven infrastructure initiatives, the ability to work with consistent, traceable, high-quality data that can be shared easily across multiple activities is the key to success.
What’s Broken and How Do We Fix It?

An evolutionary approach to enterprise-wide risk management

Oracle offers a clear alternative to short-term tactics and wholesale replacement. Instead, banks can take an evolutionary approach aligned to their compliance pipeline and wider business objectives. This solution, which addresses pressing compliance issues, including Basel III and the Dodd-Frank Act, also establishes a common data model, infrastructure and business intelligence layer. These common building blocks ensure data consistency, traceability and availability across any application running in this environment (FIGURE 2). They also extend return on investment of existing software investments, accommodating high-value intellectual property within the target Oracle environment.

This results in a fundamental shift in perspective. Instead of building a tactical solution from the bottom up, a coordinated risk platform enables you to reach back through the information management lifecycle. The bank can start with the end in mind, focusing on the usage case rather than the technology required to deliver it (FIGURE 3).

It also ensures that banks can squeeze maximum value out of data throughout the information management lifecycle, while ensuring data longevity and reusability whenever required. It encourages teams to seek out new business opportunities safe in the knowledge that their risk platform can adapt quickly to support these endeavours.
The Oracle risk platform offers a flexible, evolutionary alternative to other platforms that require the wholesale migration of applications to a new environment. At the same time, it significantly reduces the cost and complexity involved in managing multiple, rolling risk activities.

It also unburdens risk and technology teams from the endless cycle of ‘design, deliver, deploy’ that contributes to substantial professional and personal pressures.

**Speed to deployment, speed to information**

Oracle’s unified risk platform is highly configurable, but delivered out-of-the-box. This significantly reduces the time associated with the deployment of in-house systems or those that involve the integration of technologies from diverse suppliers. Oracle’s heritage and clear technology roadmap ensures that every element, from data warehousing to analytics and reporting, is based on best-of-breed technologies.

At the same time, banks can choose to integrate Oracle’s technology with external calculation engines and/or hosted models (Figure 4).

![Figure 4](image.png)

**ANALYTICAL APPLICATIONS INFRASTRUCTURE**
(Data Quality Management, Metadata Management, Stress Testing F/W, Modeling F/W, Run F/W etc)

- **Staging Area**
  - Common input area for analytical processing

- **Application-specific processing Area**
  - Oracle calculation engines & models
  - Hosted models

- **Results Area**
  - Results for consumption
  - External calculation engines

**Evolution to the Next Level of Enterprise Risk Intelligence**
Focus on business, not on technology
Oracle offers financial institutions an unprecedented opportunity to progressively migrate existing risk activities and applications to a single target architecture. Oracle can also draw on extensive global teams of risk technology experts who work with our clients to understand the organization’s risk pipeline, addressing imminent regulation while sharing insights into risk best practices and market opportunities.

Maximizing the value of data
Data is the lifeblood of the business. It changes constantly over its lifetime as it is used and reused by different parts of the organization. The Oracle risk framework ensures that data is consistent and transparent whenever and wherever it is used. It also ensures that data is traceable and always available to different areas of the organization or new use cases when required.

Reducing total cost of ownership
Oracle delivers a significant reduction in total cost of ownership (TCO) compared with other risk management platforms.

Banks can extend the return on investment of existing intellectual property by hosting existing third party or in-house developed solutions within the target Oracle architecture. Once migrated, these solutions sit under a consistent architecture that supports a common view of all activities.

This removes the need to call on large teams of developers when deployment is complete. Changes can be made at the business level based on pre-existing templates and user-defined business rules that correspond to key compliance activities. Oracle continues to develop templates in line with changing business and risk management needs so that a bank has all the tools it needs to keep one step ahead of new regulations.

Sophisticated, rapid information analytics
The flexibility of Oracle’s information analytics tools ensures that risk managers have on-demand insights into the risk positions of the enterprise. As the importance of near real-time risk information gathers pace, this ability is more critical than ever. Today, complex liquidity scenario analysis and stress testing often needs to take place in real-time. Oracle supports banks in this drive to meet growing regulatory demands for timely and reliable information.
In the coming months and years, the decisions that banks make about investments in risk management systems will play a central role in the reputation, resilience and profitability of their organizations.

Partnering with an organization that has an outstanding reputation and deep expertise in the financial sector is more important than ever.

**Enterprise risk expertise**

Attention to detail is everything. Oracle takes a comprehensive, but highly focused approach to risk based on our in-depth knowledge of this marketplace and an extensive network of global partners. Our enterprise risk management solutions span all areas of risk, including credit, market, operational, liquidity, fixed asset, and business and reputation risk. They enable institutions to manage all these activities and provide necessary feeds for compliance-based reporting.

**Financial sector knowledge**

All of the world’s top 20 banks run Oracle software in the pursuit of streamlined business processes and improving overall efficiency. Oracle is a specialist in the enterprise risk management space, helping banks worldwide comply with new regulation, while maximizing the business opportunities available through these changes. Some of the world’s largest banks use Oracle today for a diverse set of needs from risk calculations, stress tests and performance management to financial crime and compliance management.

Our comprehensive financial services analytical applications cover the entire risk information spectrum including management, performance management, customer relationship management, and governance and compliance (FIGURE 5).

**Figure 5**

Oracle financial services analytical applications cover the entire risk information spectrum. A single, consistent view of data also enables banks to focus on urgent tasks where key activities overlap.
Innovation and the long term roadmap

Innovation means investment. In 2011, Oracle spent U.S.$4.7 billion in research and development, ensuring that customers benefit quickly from the latest advances in information technology. This applies especially to financial services customers where innovation must be balanced with evidence that systems are robust and secure enough to meet the needs of banking in a post-crisis world. Oracle’s presence across the technology stack, from applications right down to the disk, enable it to provide optimizations which are not possible for other siloed application-only providers. This ensures the delivery of comprehensive and extreme performance enterprise risk solutions for banking that become a strategic platform for growth. They enable the institution to respond rapidly to market events as well as regulatory demands such as periodic stress tests.

Taking the Next Steps: Oracle Insight Program

With a focus on financial data and analytics, the Oracle Insight Program is a comprehensive business strategy development program. It gives banks the opportunity to work with Oracle business and IT strategy experts and identify critical performance objectives and challenges. These insights enable project teams to define their unique business needs and understand how technology can support project goals.

Our first job is to listen. We work closely with risk and IT stakeholders in the bank so that we can bring the right blend of industry experience and technical skills directly to customers. This ensures that the Oracle Insight team can identify the skills needed to transform business or IT operations and quantify the financial impact that can be achieved with these capabilities.

The Oracle Insight Program offers banks the following benefits:

- **Gain consensus and alignment with business and IT teams.** Help different risk and IT groups agree on key areas of focus and support a collaborative decision-making process.

- **Develop a compelling value proposition and business case to move forward on a project.** Translate operational and strategic concepts into objective, universally understood impact metrics.

- **Assist with the strategy and solutions needed to enable risk management transformation.** Develop strategies that solve imminent and emerging risk challenges and win top executive support.

- **Evaluate key business and technology initiatives.** Establish the ground rules for development and deployment of new solutions, ensure the longevity of existing intellectual property investments, and help prioritize resources and budgets.

“It lends credence to what the IT Department has been telling management. Therefore the chance of getting top management support has increased.”

JAPAC Financial Services company