



Enabling your business through Integrated Risk Management

Webinar

—

Thursday, 31 March 2022, 13.30 – 15.00



With us today



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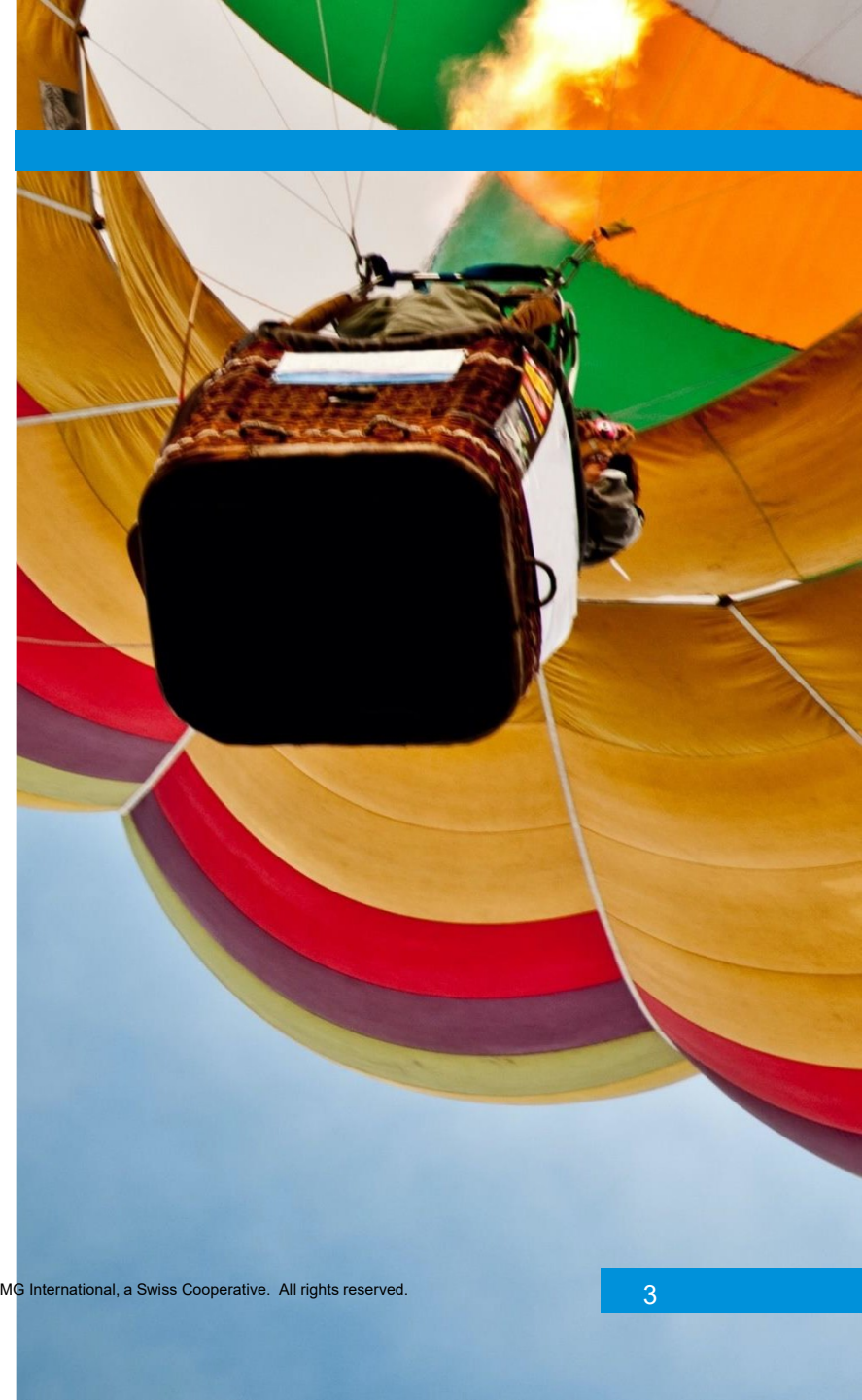


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Agenda

1	Risk Trends & KPMG Response
2	KPMG Powered Risk
3	Powered Risk Enabled By Technology
4	Key Takeaway Messages





01

Risk Trends & KPMG Response

The Case for Change

Risk Management is perceived by many stakeholders as burdensome and an obstacle holding them back from achieving business growth.



Carry excessive cost

Risk functions have become **bloated and resource-heavy**, leading to excessive operating costs. As firms face pressure to improve cost-income ratios, the risk functions are coming under increasing scrutiny to realise cost savings.



Have not fully embraced technology

Processes continue to be **highly manual**, relying upon paper file reviews, manual spreadsheets and four-eye checks. Increased digitisation of routine processes is essential to improve productivity and quality of outcomes, as well as free up skilled resource to perform more value-add activities.



Seen as inhibitors and blocker functions

Risk functions are often seen as “policing” in nature and as **inhibitors to business growth**. They need to evolve into being strategic partners to the business, providing insight, challenge and oversight that supports value creation that meets regulatory expectations, protects customers and preserves market integrity.



Is reactive

For too long, risk has been reactive, **addressing risks after they have crystallised**. In order to stay relevant, they will have to become proactive, using technology and data analytics to gain insight into customer experience, outcomes and associated risks before they cause detriment.



Not forward-looking or agile

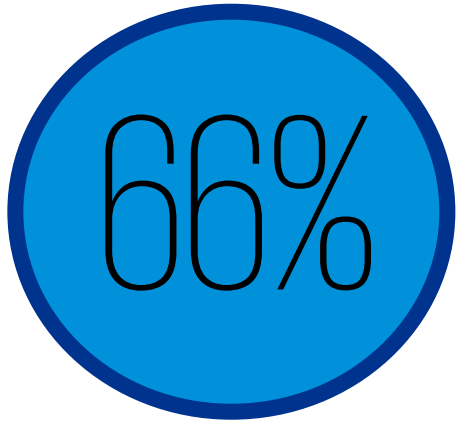
Too much time spent on carrying out **administrative activities**, means that risk functions do not have sufficient bandwidth to carry out more forward-looking thematic work relating to horizon-scanning and responding to emerging risks and regulatory change in an agile way.



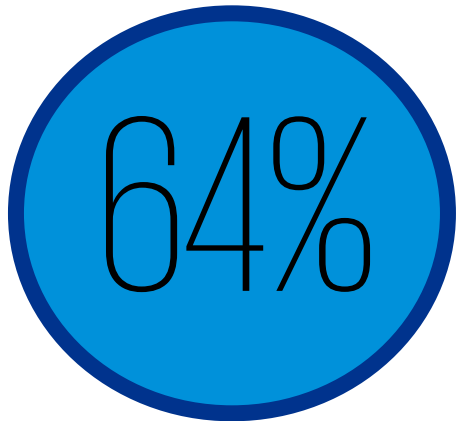
Traditional skillsets are not fit for the future

The skills required of risk professionals continue to be even more broad and diverse. Updating of skill profiles, behaviours and characteristics from **narrow and deep subject matter expertise** to broader competence with commercial insight.

The Drive to Stay Relevant



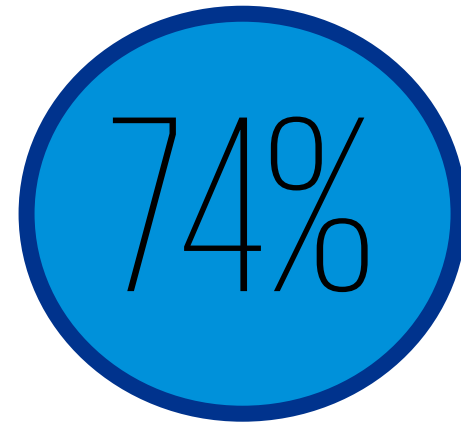
Innovation
of CEOs plan to accelerate the creation of a **new workforce model**, with human workers augmented by automation and artificial intelligence.



Harmonization
of CEOs believe that the combined use of emerging technologies is much more beneficial than using technologies in isolation.

Digitalization

of CEOs plan to accelerate the digitalization of operations and the creation of a next generation operating model.



Source: KPMG's Global CEO Survey 2021

Integrated Risk Management Insights



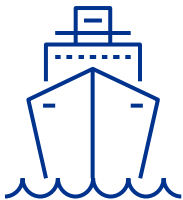
Business challenge the value that Risk functions due to reactive approach

Risk functions across the 3LOD can be seen as inhibitors to value creation through their highly manual, process-driven “policing” approach to management of the risks banks face. These functions have been slow to embrace technology in many cases and are still reactive in their approach to managing risks.



The market continues to evolve at rapid pace and Risk functions need to be fit for the future

The external political, economic and regulatory environment continues to change and the banking sector continues to evolve. To keep pace with this level of change, risk functions need to be strategic, forward-looking and agile, with skills and capabilities that are relevant to the market today



GRC 2.0 Wave

The more mature organizations who were at the forefront of GRC implementations over five yrs. ago are now seeking to replace their existing technology solutions due to over customization and lack of flexibility to transform as the organization grows.

Key Risk Optimization Pain Points

“Prolific manual input in key processes”

“Operational issues due to failure of controls”

“Lack of an end-to-end perspective”

“Limited standardization of repetitive tasks”

“Redundancies due to lack of centralization”



L How should you be thinking about the changes?

As the prevailing business and operating environment is rapidly changing with different cross-sector business disruptors, expectations from stakeholders are likely to drastically change in order to stay relevant:



Shift in Expectations of Risk Functions Globally

Imagine your function as a trusted and valued advisor to your business with the ability to respond to real-time risks and provide helpful insights and direction for where the business should go.

The risk function has traditionally been seen as a cost center — a must have versus a value add. Many businesses struggle with the purpose of the risk function and how it can add value. **We are here to flip that narrative.**

Strategic advice to support growth



Protecting organization from
downside risks

Tackling Risk Head On

Common Risk Pain Points

- Non-integrated set of applications and processes that have driven the business to operate in a **siloed manner**;
- **No single source of truth** for operational incidents, risks, actions
- Inefficiencies in the effort required to provide **business critical reports**; manual combination of data from different systems / data models.
- Reliance on multiple legacy systems, costly to maintain, and dependencies on key resources for ongoing system maintenance.

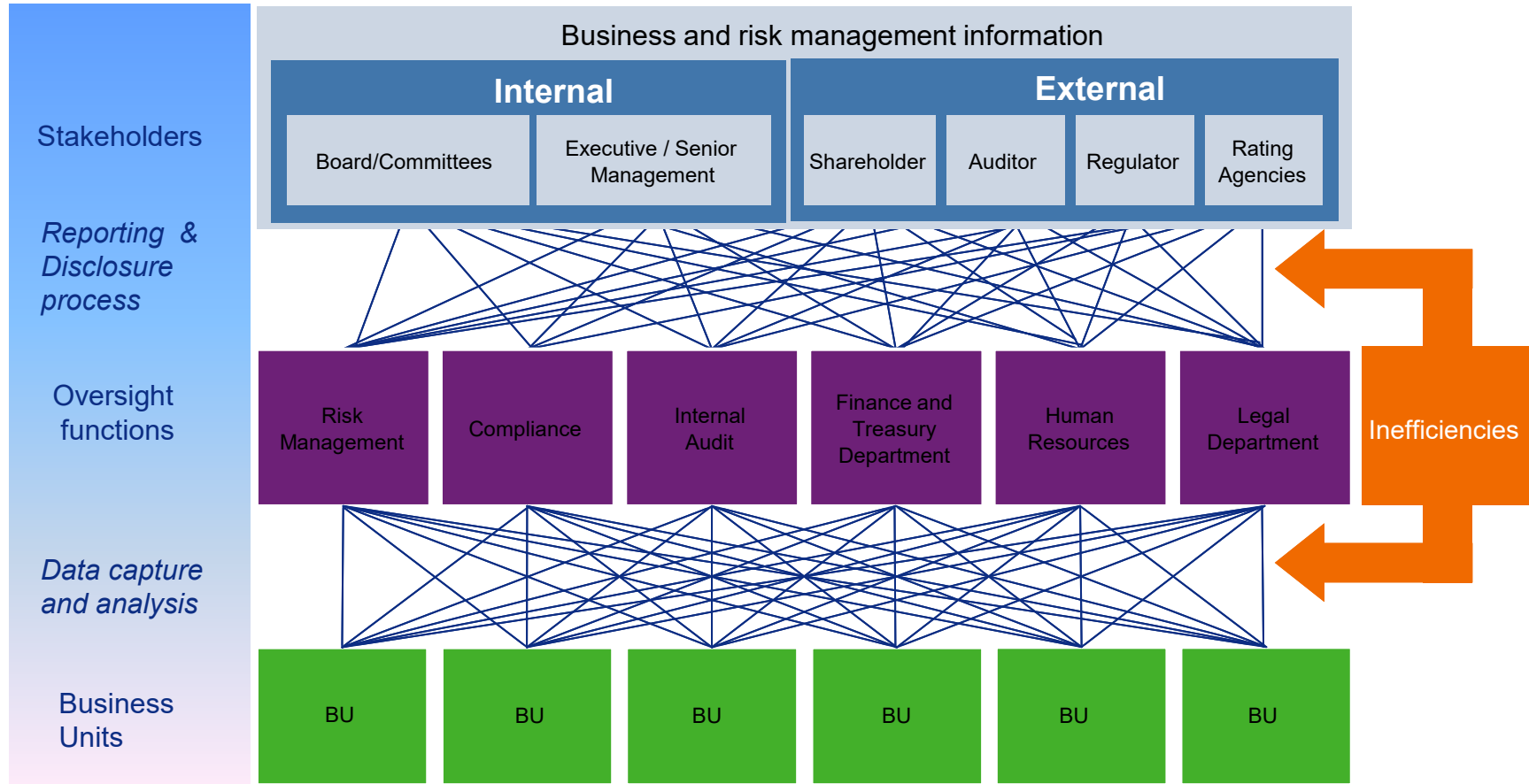
LEADS TO

- Inability for the business to make insight led, data-based decisions
- Lack of confidence in the second and third line of defense across the organization



Integrated Risk Management across 3 LoDs

Increasing business disruptors and stakeholder expectations have resulted in complex business and risk management processes



IRM Digital Transformation

1) RIP OFF THE BAND-AID



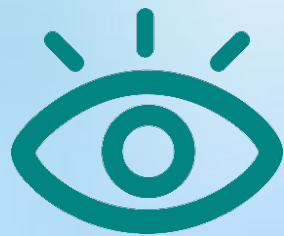
- Understand legacy systems
- Artificial Intelligence and Machine Learning.



2) VISION FIRST, TECH SECOND

- Tone from the top and stakeholder alignment are critical
- Alignment of vision and strategy
- Business-led focus, enabled by technology.

3) LOOK INWARDS TO LOOK OUTWARDS



- Target operating model – process, people, service delivery model, data, governance, technology.
- Common language & convergence



Common enterprise-wide risk transformation benefits

- Improved **risk transparency** due to **common language** and **converged taxonomies**
- Alignment of **control inventories** leads to **control optimization**
- Promotes a **risk culture** leading to **increased risk awareness**
- Risk **embedded** in Enterprise Assurance
- Improved risk **management** through **automation**



A future greater than the sum of its parts

Challenge

Large global bank. Siloed risk and compliance functions with no standard risk language. Increasingly complex and expensive operating model with disconnected processes, systems, and data silos across the globe.

The Board wanted to see increased visibility into risk, compliance and governance process, especially given ongoing digitalization and transformation efforts across the bank.

Solution

IRM transformation lead by Internal Audit, Operational Risk, and Compliance. This risk transformation was enabled by a technology solution, a unified and automated system for risk across the whole organization.

Results



Improved visibility with a single system of record for all risk and compliance needs



Improved decision making from intelligence reporting risk reports

10,000+

Hours saved annually, allowing resources to focus on other risk areas





02

KPMG Powered Risk

KPMG's Powered Risk

Powered Enterprise

Powered 'Functions'

- Powered Enterprise | Commerce
- Powered Enterprise | Cyber
- Powered Enterprise | ESG
- Powered Enterprise | ESM
- Powered Enterprise | Finance
- Powered Enterprise | HR
- Powered Enterprise | IT
- Powered Enterprise | Internal Audit
- Powered Enterprise | Marketing, Sales & Service
- Powered Enterprise | Procurement
- Powered Enterprise | Resilience
- Powered Enterprise | Service Management
- Powered Enterprise | Risk

'L1 Process Areas' (Use Cases)

- Powered Risk | ERM
- Powered Risk | IT Risk
- Powered Risk | Third Party Risk
- Powered Risk | Compliance
- Powered Risk | Policy Management
- Powered Risk | Internal Controls

Powered Methodology



KPMG's ServiceNow implementation journey, powered by our Powered accelerators

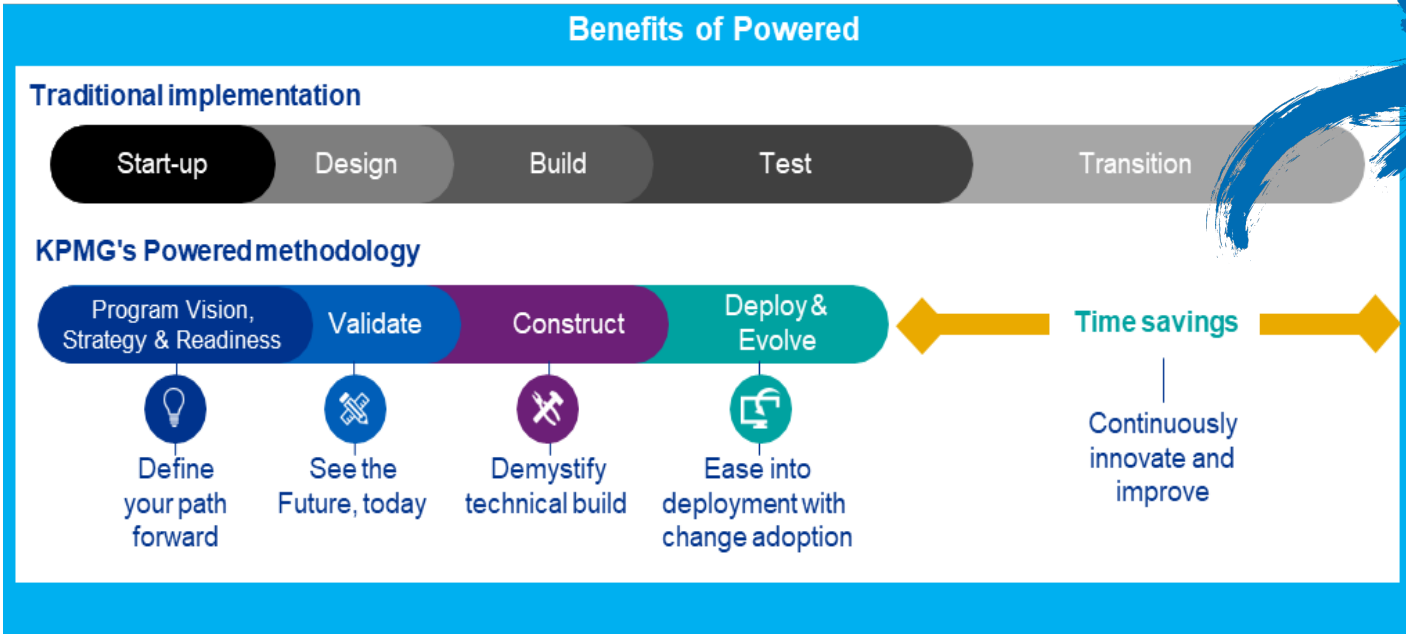
Powered Target Operating Model



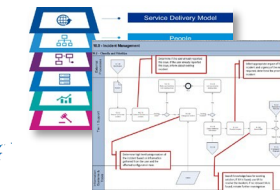
The blueprint of KPMG's future state Integrated Risk and Compliance Program

The Powered Methodology

Traditional methods of designing and implementing risk programs can be time consuming, costly, and result in over-engineered solutions that often result in no added value and deter end users. KPMG's Powered methodology allows our clients to get a head start, focus on what's important, and be left with additional time and resources to invest in future initiatives.



Process Taxonomy & Process Flows



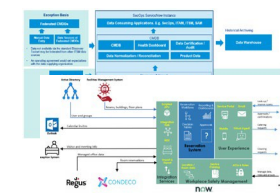
Risks, Controls & KPI's

Process	Key Risks	Key Controls	Key KPI's
Policy Management
Contract Management
Asset Management

Deployment plans

Item	Start	End	Status	Owner
...
...

System integration designs



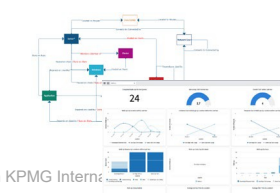
Reference Environment & Config. Docs

Environment	Configuration	Documentation
...
...

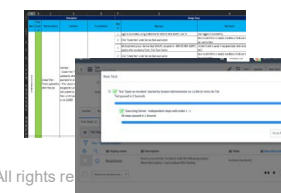
Pre-configured feature sets



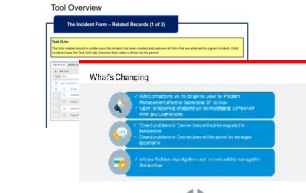
Data Models & Reports



Test Strategy & Scripts



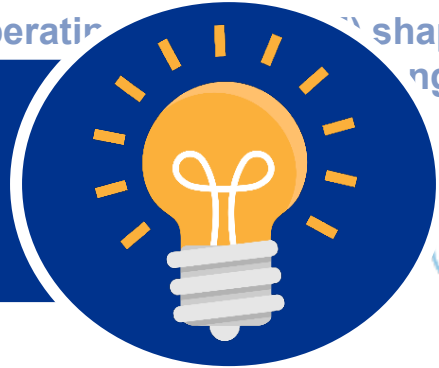
Learning & Adoption content



The KPMG Target Operating Model for risk

The KPMG Target Operating Model shapes risk transformation across the six 'design layers' of the function. This includes the changes outlined earlier.

Transformation isn't all about technology – tech is simply an enabler.



Performance Insights & Data: Pre-defined lists of reports and dashboards tailored to the specific needs of risk practitioners to inform your reporting requirements

Technology: Process-to-technology mapping, architecture design and supporting assets to give you a head start with solution development



Performance
Insight and Data



Insights Savings



Real-time risk reporting to help inform new - and improve existing - business strategies.

Reduced project timelines and improved cost savings linked to more efficient delivery and implementation



Flexibility Trust



Services-driven risk design that adapts to your changing business requirements with reduced re-work

A risk program that enables trust with internal and external stakeholders.

This is why we built our Powered Enterprise solutions



To help you build leading business functions underpinned with technology and leading insights



To help you transform your business faster and efficiently, and align it with your organization's priorities



To help your risk function establish a solid platform and approach for continuous digital innovation



03

Powered Risk Enabled By Technology

Integrated Risk Management Technology Vendors

Figure 1. Magic Quadrant for Integrated Risk Management Solutions



Source: Gartner (June 2019)

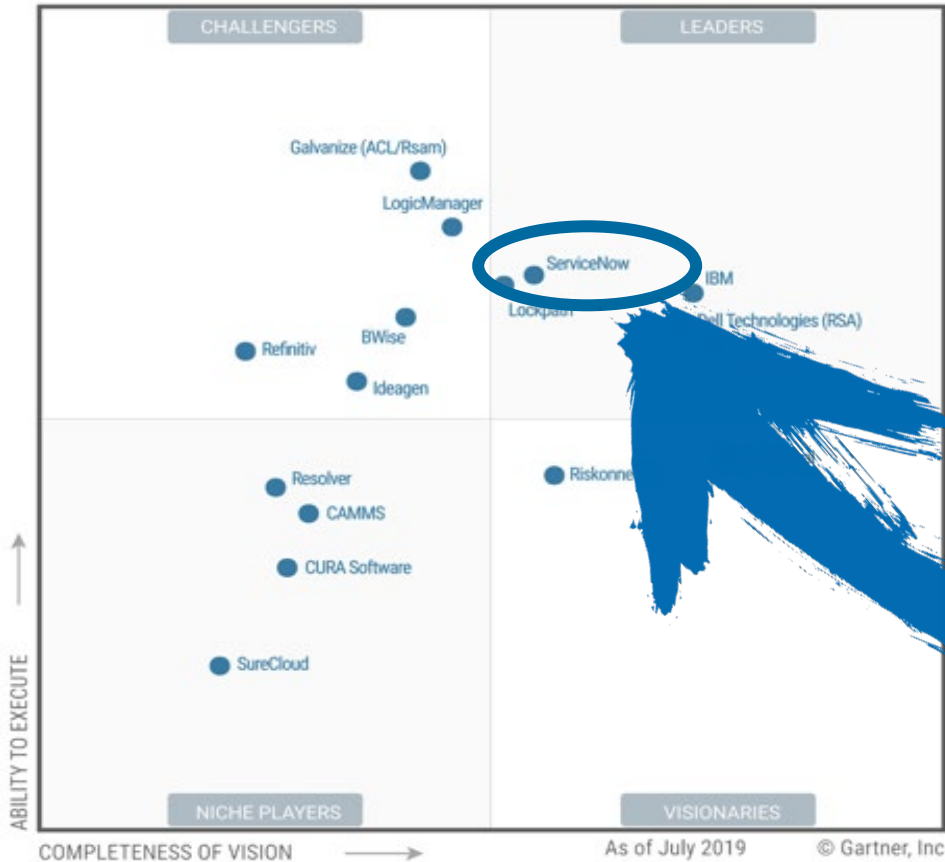
Gartner Magic Quadrant is a culmination of research, giving a wide-angle view of the relative positions of the market's competitors.



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ServiceNow - Integrated Risk Management

Figure 1. Magic Quadrant for Integrated Risk Management Solutions



ServiceNow Named a Leader in the Gartner Magic Quadrant for Integrated Risk Management

Source: Gartner (June 2019)

ServiceNow IRM - Suite of Solutions

The diagram illustrates the ServiceNow IRM Suite of Solutions. It features a top row of eight solution categories, each with an icon and a label. The 'Risk' category is highlighted with a red border. Below this row is a large grey area containing various platform capabilities, each with an icon and a label. The bottom of the diagram features a green cloud-like graphic.

Policy	Compliance	Risk	Business Continuity	Vendor Risk	Audit	Privacy	ITSM, ITOM, VR, CSM, HR, ...	
Now Platform	Flow Designer	Service Catalog	Service Portal	Subscription & Notification	Contextual Collaboration	Predictive Analytics	Knowledge Base	Developer Tools
Virtual Agent	Mobile	Dashboard & Reporting	Supervised Machine Learning	Integration Hub	Virtual Task Boards	Orchestration	CMDB	
Single Database	Multi-instance	Secure & Compliant	Scalable					

ServiceNow Gold Build - Demo

Integrated Risk Management



Vince Ettel, Customer Support
Completes RCSA (Assessor)



Winnie Lam, Chief Risk Officer
Monitors Risk Exposure (Manager)



Achieved Value

Improve productivity of first line control

Improve productivity of second line risk & compliance teams

Improve productivity of internal & external audit

Reduce Total Cost of Ownership for Risk

Improve compliance

Reduce reputational and legal risk

Reduce balance sheet risk contingency and improve use of capital

Consolidation of legacy systems

235%

return on Investment over 3 years

<6 months

Less than 6 months payback

\$8.6M

Benefits over 3 years



04 Key Takeaway Messages

Key Takeaway Messages

1

Risk management is most effective and valuable to the business when it is integrated across the three Lines of Defence, and embedded into business processes.

2

Transforming towards a more integrated way of managing risk starts with having a clear understanding of the possibilities – a vision of where you could get to.

3

Understanding where you want to go is the first step in identifying the skills, processes and systems you will need in order to get there.

4

Technology is an enabler for creating a platform and common view on risk, and to facilitate risk management activities across the three Lines of Defence.

Q & A

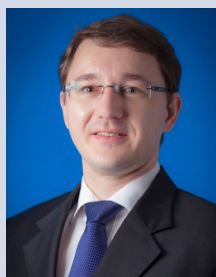
Feedback





Thank you for joining the event

Contact



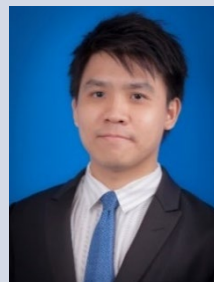
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