

Because of regulations such as Basel II and Solvency II, risk management is high on the agenda of all financial institutions and many companies. Since the credit crisis began, everyone knows exactly why. The crisis will be with us for a while yet, and the regulatory burden will only intensify over the coming period. All the more reason to support this crucial process with an intelligent risk management system (RMS).

# Risk management systems

more than a necessary evil

Managing risks is the top priority at the moment. Credit risk is the main concern, followed by market risk, operational risk and company risk. Both commercial companies and financial institutions are trying to identify and mitigate their risk exposure wherever possible. This process is actually as old as the financial world itself. But that world has become much more complex over the past few decades. Regulations such as Basel II and Solvency

II are forcing financial institutions to make thorough risk analyses and prepare clear and standardised reports. "Risk management is a complex and extensive process which is becoming increasingly important. But some institutions are still relying on makeshift solutions to deal with this process", according to Sander Bierman, a consultant at Zanders. "Often out of necessity, they use complex spreadsheets which gather



data from various sources and systems. Such a method requires a lot of manual operations. Spreadsheets aren't really suited for this. You can automate this process to a large extent by using intelligent software. Such a risk management system creates a robust environment, prevents mistakes and accelerates processing time. What's more, it becomes much easier to meet the regulators' reporting requirements."

#### **More stable and more powerful**

Getting a grip on risks has another benefit. Bierman says: "It makes your organisation more stable and more powerful. Risk information also helps you to price your financial products better and to develop new products. That makes shareholders and lenders happy. So it's no surprise that risk management is increasingly becoming a major pillar underpinning the strategy of financials and corporates."

#### **Effective combination**

Zanders has extensive experience with preparing, launching and implementing risk management systems. The company's strength is an effective combination of technical system knowledge, quantitative financial knowledge and independence. Thus Zanders has a risk management consultancy division which is among the best in the Benelux countries. According to Bierman: "We have extensive knowledge and experience with risk management, and we know exactly what an RMS should be able to do. We're active at the highest level for many financial

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#### **Step-by-step approach**

The selection, launch and implementation of a risk management system follows Zanders's own tried-and-tested method based on Prince II. Zanders takes the clients through a number of fixed steps. First functional requirements are determined. Then a detailed procedure leads to the selection of a system which is best for the client. This is followed by the implementation phase, during which the Zanders consultants devise the system and make it ready for use. According to Bierman: "It's true that the client often already has a risk management system in place. In that case only adjustments or extensions are required. In such a situation we follow the same structured approach as for a completely new system selection."

The cost of a risk management system will be recouped over

institutions." Zanders also has a strong consultancy division in the area of organisation, processes and systems (OPS). "The OPS division has considerable experience with system selections and implementations. We have a very good understanding of the market for risk management systems. We know the suppliers, and the suppliers know us", says Bart Timmerman, a consultant at Zanders.

What can clients expect when they turn to Zanders? "On the basis of clear requirements we deliver a customised risk management solution. The degree of customisation depends on the clients' wishes and which system is selected." The system provides a very clear insight into risk management information, for instance by using a risk dashboard, which allows for a quick assessment of risk management information from a wide range of sources.

time. Bierman observes: "It's quite simple. If you know the risks you're exposed to and can control them, then you are better prepared for the future and can deploy your resources more efficiently." Timmerman says: "You can reduce costs with the insights that risk management yields. But that is not even the most important thing. Organisations whose risk management processes are deficient are sometimes already losing out because the regulators will restrict their activities. If your competitors invest, you have to make sure you don't lag behind. No one wants to run that risk." <



**► IS IT TIME TO UPGRADE YOUR RISK MANAGEMENT PROCESSES IN A PROPER RISK MANAGEMENT SYSTEM? OR DO YOU WANT TO DISCUSS THE POSSIBILITIES AND BENEFITS SUCH A SYSTEM CAN OFFER YOUR**

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