

Taking measured risks

Investing in risk management makes sense because the better we understand risk, the more risk we can take, so the more we can grow. It is therefore critical that we develop a deep understanding of what certain risks mean to our businesses, how they fit with our risk appetites, and how we can equip ourselves to make more informed business decisions.

In practical terms, taking a measured risk with confidence means:

- Driving the right risk behaviors as part of daily business and minimizing the need for complex checks and balances that are not revenue generating

- Having enough faith in our risk intelligence to make bolder decisions based on what it's telling us

- Truly understanding a regulation and how it impacts business activities, so that we can confidently minimize compliance effort and associated overheads

- Aggregating risk data effectively, so we spot what matters most



These causal factors highlight that simply overlaying established ways of working with out-of-the-box risk technology is unlikely to be the best approach. Maximizing technology leverage will always require amending existing ways of working and a commitment to standardize (as far as is practical) how we measure risk.

Nonetheless, it would certainly be helpful if available risk technologies could be more adaptable to differing stakeholder

needs and better at managing a multitude of data entries in instances where standardization can never be fully achieved.

At the same time, it would also be helpful if next-generation technology could address some old problems left by the previous-generation solutions and also accommodate some emerging needs. Consider the typical experiences of the business user and the risk professional as set out below.

Experience	Likely cause(s)
<p>F b :</p> <p>“Risk processes are becoming too onerous. For example, I am forever being asked the same questions by the compliance department, must complete endless questionnaires, etc.”</p>	<p>This is frequently a consequence of multiple, overlapping risk and compliance programs that are fundamentally seeking to address the same considerations. Previous-generation solutions already sought to address this by facilitating a consolidated approach to risk and regulatory compliance, but with mixed success. They were somewhat inflexible in their ability to map multiple risk processes to complex business structures and continuously adapt these as both the regulatory environment and the business itself evolved.</p> <p>How technology can help</p> <p>The necessary data mapping is complex, but no more so than that used, for example, for mapping and modeling customer relationships. Therefore, leveraging technology used for these purposes would advance our ability to streamline risk processes.</p>
<p>F a :</p> <p>“Not only do risk questionnaires and field-based compliance and audit exercises become onerous for the business, their quality is contingent on personal objectivity and experience.”</p>	<p>Using technology to fully execute, not merely facilitate, risk processes is somewhat of a holy grail that is already achievable with current technologies, albeit in limited areas only (IT risk being an obvious example). Challenges arise when the processes, controls or underlying systems to be interrogated are bespoke.</p> <p>Similarly, automated transaction monitoring is an effective solution to risk profiling, but only if the technologies used can manage non-standardized or qualitative data.</p> <p>How technology can help</p> <p>Where similar challenges have arisen in other disciplines (e.g., when performing deep analytics on consumer data), fuzzy logic has been used to at least narrow down critical transactions that would benefit a manual review. This capability is transferrable to risk management exercises.</p>

F **b** **b** **a** **d**

Risk Management Solutions from Thomson Reuters

Risk Management Solutions bring together trusted regulatory, customer and pricing data, intuitive software and expert insight and services – an unrivaled combination in the industry that empowers professionals and enterprises to confidently anticipate and act on risks – and make smarter decisions that accelerate business performance.

To learn more about Thomson Reuters Connected Risk,
please visit risk.tr.com/connected-risk

