

Operational Risk Management

> Accurate Software

September 2004

Agenda

- > National Bank of Canada and NBCN Partnership
- > Applying operational risk and control concepts to reduce costs and losses in the backoffice

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Accurate Software

Reducing operational costs & losses in the back office

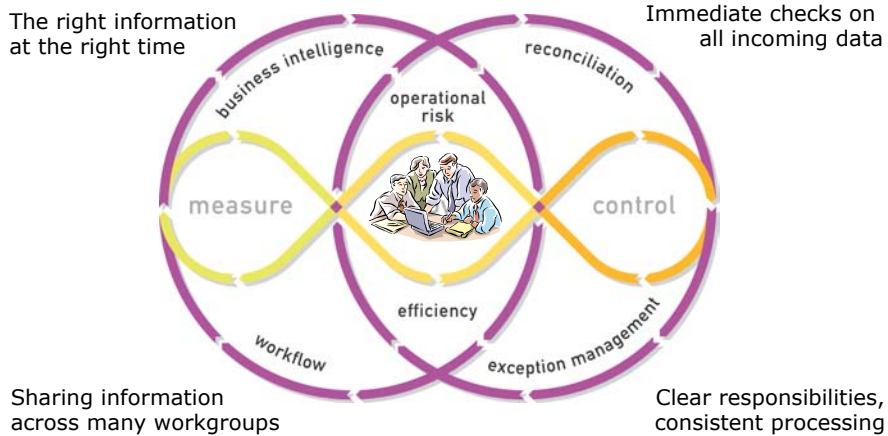
Applying operational risk management concepts can:-

- Increase operational efficiency
- Focus staff attention on potential losses
- Reduce the opportunity for fraud or manual error
- Accelerate the identification and resolution of exceptions
- Guide process improvement by analysing exposures & trends
- Profile & quantify current & future operational losses

The four competencies behind this approach

The right information
at the right time

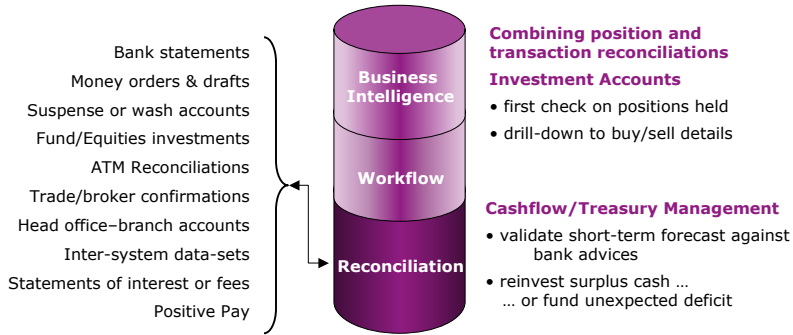
Immediate checks on
all incoming data



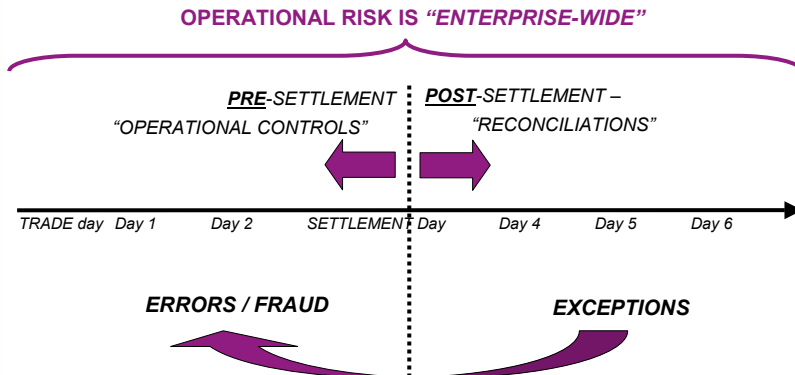
Sharing information
across many workgroups

Clear responsibilities,
consistent processing

Reconciliation: one set of controls across all departments



Pre- & post-settlement controls

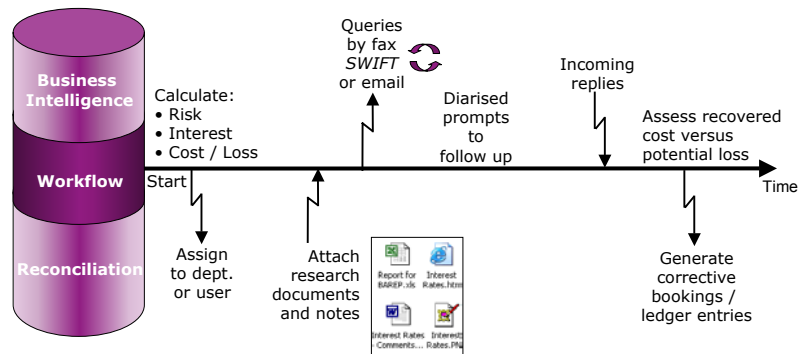


Why automate your exceptions?

- > Documents claim up to 60% of office workers' time and 45% of labour costs
- > The average document is copied 9 times at a cost of \$18
- > 7.5% of all documents get lost, 3% of the remainder get misfiled
- > Hardcopy investigations folders and individually maintained spreadsheets are an effective barrier to the collection of productivity statistics and the analysis of trends

Sources: Coopers & Lybrand, Federal Reserve Bank, KPMG International

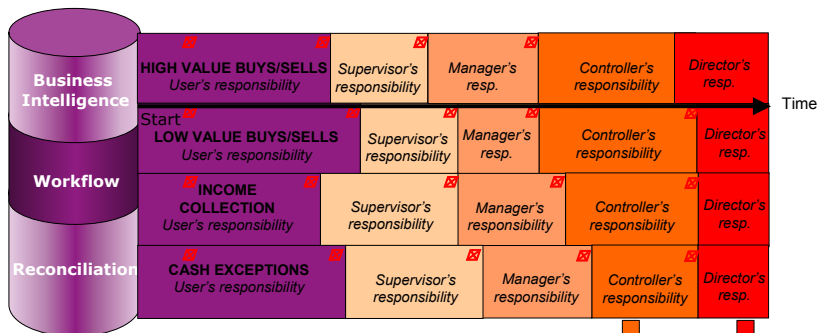
Exception Management: speeding resolution



From managing exceptions online to workflow automation

- > On-line exception management
 - Enables staff to pull information together faster
 - Facilitates sending & processing of info between teams/agents
 - Provides a full audit trail and a means of collating statistics
- > Automating exception management with workflow tools
 - Calculation of potential loss to determine risk category
 - Assignment, prioritisation and escalation based on RISK
 - Automation of routine processing steps
 - Maintenance of task lists, work schedules, ...
- Encourages operational best practice

Workflow automation: assured escalation of issues ...

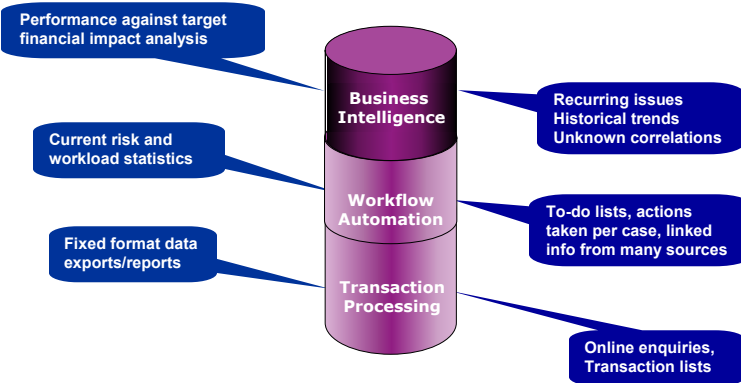


... and consistent, complete reporting



Consolidated reports across all business lines & error types

Business Intelligence: analysis & reporting



How does this reduce your operational risk?

- > Clear, consistent controls on all financial flows & positions
 - 4-eye validation for all asset transfers: internal FRAUD prevention
- > Support/enforcement of 'best practice' for operational controls
 - Automation of routine checks and enforcement of procedures
- > Prioritisation of work based on potential loss
 - To-do lists for clerks, productivity statistics for managers
- > Assured & consistent controls and escalation
 - A single framework for multiple asset types & business lines
- > Detailed analysis of financial flows suitable for each type of user
 - Historical database of potential/actual losses, recovered monies, →
→ statistical analysis with graphical trends & alerts for management



Don't just take our word for it...

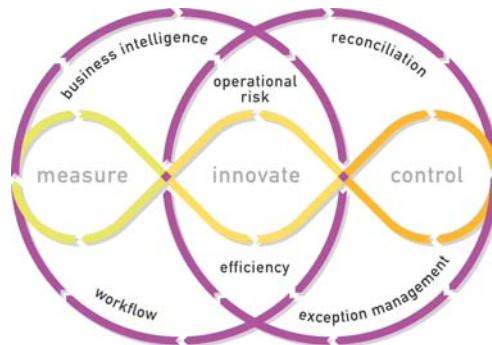
- > "The National Bank of Canada's ORM Group has identified that all subsidiaries need to continue to develop and refine standards and tools to identify, measure, monitor, control and document operational risks. NBCN Clearing has further identified risk management as a primary objective for 2004/2005. We are well positioned to meet these directives with support from Accurate Software."
- > "The proven workflow management capability of Accurate NXG was a major reason for selecting the solution. The increased efficiencies delivered by Accurate NXG will have a positive impact on overheads and our exposure to risk, and the Dashboard will support our requirement to deliver more effective financial control."

Yvan Naud, CEO, NBCN.

www accuratesoftware.com



Applying operational risk concepts to reduce costs and losses in the backoffice



- See Accurate at Booth 6 in the exhibitor area

www accuratesoftware.com

