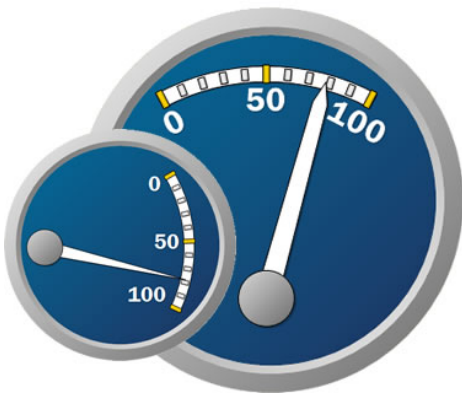


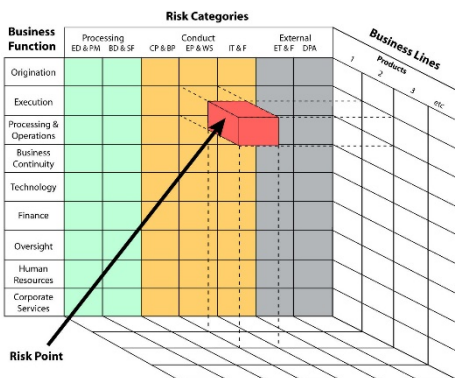
KRI Monitoring Service



Indicators within the world of operational risk are metrics which provide some indication as to the current level of exposure which a firm faces, its performance over a recent timeframe or the effectiveness of its control environment. Often grouped into risk, performance and control effectiveness indicators, with those indicators deemed to be the best or most “key” indicators usually referred to as KRI’s, KPI’s and KCI’s respectively, indicators provide the only “real-time” measure as to the current status of any firm’s risk profile.

Indicators are not easy to do and most firms leave their indicator program to almost last in the sequence with which they address operational risk management. However, running a business without indicators is the same as driving a motor vehicle on a long journey without a fuel gauge, a speedometer or engine/oil temperature gauges – you simply would not contemplate in doing so.

Recognising that many firms have difficulties in implementing formal indicator programs, the Risk Management Association (RMA) and RiskBusiness initiated the development of the financial services industry’s KRI Service in 2003, creating an online library of indicators at www.KRIeX.org, supported by facility to benchmark indicator values internally within the firm and between firms. Following on from this, RiskBusiness extended the KRI Library to cater for other industries. These initiatives provide enormous content to subscribers, all based on a standard framework which identifies areas of greater concern or exposure to the firm and focuses on appropriate measures or indicators to provide information on those exposures. The underlying RiskBusiness Taxonomy has also been used to develop a range of additional operational risk management and measurement solutions which supplement the firm’s indicator program.



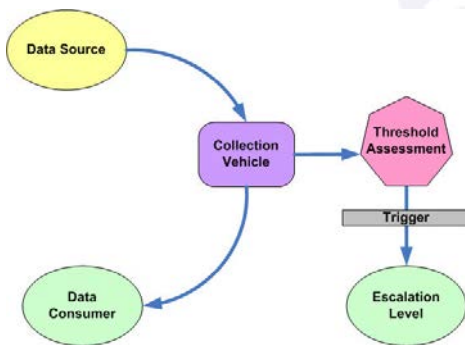
In many cases, individual business units already monitor a range of indicators on varying degrees of formality. The key challenge to the firm is how to formalise such activity, how to ensure a reasonable level of definitional standardisation across business units, how to add indicators deemed critical to the organisation centre to the mix and how to collect information on an unobtrusive basis across the firm. Further, if a firm is interested in benchmarking indicator values, either between individual business units or against peer firms in their industry, how does the firm go about collecting the data on an easy, yet consistent basis and when should “issues” be reported to higher levels of management?

As a response to these issues, RiskBusiness has developed its KRI Monitoring Service, which interfaces seamlessly to the KRI Library or can be used for internally defined KRIs and other metrics, either as a standalone tool or as an integrated component of the RiskBusiness RiskIntelliSet™.

When implementing an indicator programme, any organisation needs to address a number of issues, including:

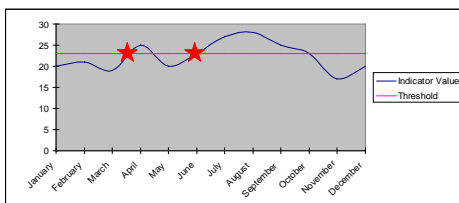
- Which indicators do we monitor?
- How often do we collect the information?
- Who provides the information?
- How do we monitor the information?

Basically, it is imperative to differentiate between who will use or needs the information a given indicator provides from who has the data which is used to populate the indicator itself. Once the source and use have been identified, the next step is to establish conditions which, once the indicator value has moved outside of such conditions, other individuals or functions need to be advised.



In many cases, the information used within a given indicator is already available in one or more core system. The organisation now has a choice – does it build bespoke interfaces from such systems to a centralised indicator monitoring tool or does it rely on manual capture of the value directly into the indicator monitoring tool? Building a multitude of interfaces may be extremely expensive and complex process and hence a firm may choose to simply recapture data.

The RiskBusiness KRI Monitoring Service allows the subscriber to identify its indicators business unit by business unit – where the subscriber also subscribes to the KRI Library, selected indicators can be “exported” from the KRI Library into the RiskBusiness KRI Monitoring Service – set individual thresholds and associated triggers, then either capture indicator values or import values from core systems, assess the values against the thresholds and triggers and, where necessary, automatically initiate escalation reporting to nominated higher levels of authority.



The RiskBusiness KRI Monitoring Service is web-based, using PKI-technology to safe-guard each subscriber's own internal data, and is available with a supporting software development kit, aimed at assisting with the development of direct core system interfaces. The Service also accepts file uploads in XML and csv formats to assist in data collection. Each business unit can establish different thresholds and different triggers, while Microsoft Excel and Adobe PDF downloads allow easy “cut and paste” of indicator values into consolidated reporting. Indicator values can be tracked over time and, where employed in conjunction with the RiskBusiness Benchmarking Service, values can be automatically released (with authorisation if required) for inclusion into benchmarking.

For more information on the RiskBusiness KRI Monitoring Service, please contact RiskBusiness Services Limited through our website or email us at info@RiskBusiness.com.

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