

Governance Module

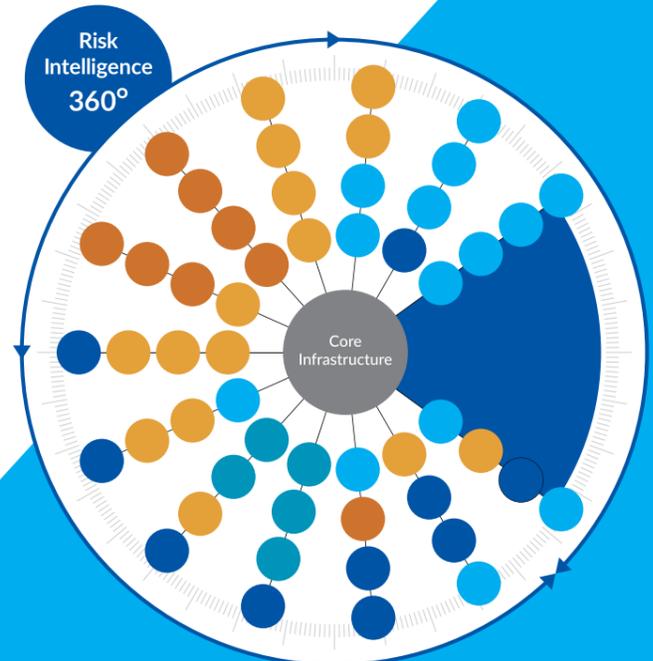


Graci
by RiskBusiness

Governance Module



The Graci – Governance module provides both the maintenance of governance-related reference data such as organisational structures, employees and users across the entire Graci solution, as well as governance-specific functionality intended for both privately held and publicly traded firms.



Risks manifest themselves on the organisation from every direction and modern, integrated management requires a 360 degree perspective encompassing all second and third line of defence functions for proactive risk and business decision making.

- Governance
- Risk
- Audit
- Compliance
- Intelligence
- Core Infrastructure





Corporate Governance

The Graci – Governance Corporate Governance functionality focusses on how the firm is governed and managed. The governance structure starts with the definition and maintenance of various committees, with defined committee members, scheduled and ad hoc meetings, meeting agendas and the ability to document minutes of meetings and subsequent actions. Examples of committees are the Board of Directors, Audit Committee, Risk and Compliance Committee, New Products Approval Committee, all the way down to local management committees. Hierarchies between committees can also be established.

Supporting committees are more informal working groups, which may also have defined meeting schedules and risk management groups which focus on speciality topics such as information security, financial crime or operational resiliency.

Included within Graci – Governance is the ability to define the firm's "three lines of defence" or lines of accountability model, along with the



option to create control functions and to assign those operating entities across the firm to the relevant control function and/or line of accountability/ defence. The option to create and maintain various forms of objectives is also supported within Graci – Governance, including corporate objectives, committee or working group objectives, management objectives, individual objectives, etc., then to link these objectives to appropriate key performance indicators maintained within the Graci – Risk KRI Monitoring functionality and to collect, analyse and report on performance against them. Aligned with the maintenance of objectives is the maintenance of principles, with objectives able to be linked to principles.

The final component within the Corporate Governance functionality is the definition and maintenance of various forms of governance registers, such as conflicts of interest registers, share holding and closed period trading registers, a whistleblowing register, gifts and benefits register, etc.

Organisation

There are several different perspectives on the firm's structure, each used for different purposes, but all requiring a common structure to support a 360° perspective on the firm. The first perspective provided by Graci – Governance is the legal structure of the firm, supporting a parent-child structure of the parent company and various subsidiaries, representative offices and branches. Each legal entity can be labelled by legal entity type and can be flagged for statutory reporting purposes and taxation status, then exchange-listed and regulated by appropriate jurisdiction. The option to define various forms of address per legal entity and to maintain ownership details is fully supported. The legal entity structure is commonly used as the primary perspective for compliance, legal and audit activities.

Supporting the legal structure is the operating structure of the firm, which details how the firm's business is actually undertaken, down through divisions, business entities to teams and functions. The location(s) of each operating entity can be defined, as can its legal entity parent. Various options around defining upstream and downstream dependencies, allocating operating entities into their relevant line of defence or accountability and maintaining information on the entity's purpose or business activities, are supported. The operating entity structure is commonly used as the primary perspective for the various risk functions and audit activities.

Using location data for both legal and operating entities, the geographic footprint of the firm can be established and maintained, allowing geographic jurisdictional boundaries to be applied and facilitating location-based activities such as business continuity planning and crisis management. The final component of the organisation structures are management groups, where operating entities across the organisational structure can be assigned to specific management groups, for example, where the firm has a marketing function in multiple locations which organisationally report up to local management, all the marketing entities can be grouped into a marketing management group to facilitate reporting and viewing aggregated data for that group.





Graci – Governance is home to the firm’s employees, allowing for the creation and maintenance of all employees, assignment of job grades and functions to the employee and association with the cost centre to which the employee is assigned. Contact details can be maintained, as can the employee’s reporting line to their direct supervisor and, if required, the option to record charge-out rates for use in cross-entity charging. Employees can be associated with locations and a graphical organisation chart can be produced at different levels.



Independent of the Graci – Governance Employees functionality, the ability to allow certain employees access to Graci is supported. User access controls can be applied via user-defined access right roles or individual access rights, with the option for different access rights to be applied when working with different operating entities within Graci. While the use of single sign-on technology is strongly advocated, the User Management functionality includes the ability to define user security settings (such as password length and composition, replacement frequency, use of secondary security measures such as memorable words or two-factor authentication, etc.) and to maintain users as required.



Most firms have clearly defined accountabilities and responsibilities cascaded downwards across the organisation structure. The Graci – Governance Accountabilities functionality allows for the creation and maintenance of senior managers, accountability matrices, approved persons matrices and RACI (responsibility, accountability, consulted and informed) matrices, or linear responsibility charts. These can have associated objectives and key performance indicators and can be subject to periodic review cycles and attestations as to the adequate discharge of accountabilities.



A core requirement for informed data analysis and proactive management decision making is the ability to integrate and aggregate data across the firm for a 360° perspective. Unstructured data cannot be aggregated, so data collected and used across governance, audit, risk and compliance needs to be structured to be used. Structure is achieved through data classification and categorisation, which requires a multi-dimensional taxonomy of classification structures. The Graci – Governance Taxonomy functionality provides the deep content of classification structures necessary to appropriately categorise all of the firm’s data.

Graci’s Taxonomy functionality provides numerous libraries of classification elements, covering aspects such as process types, risk types, risk categories, causal types, control types, control classes, product types, cyber incident types, etc., which can either be used directly by the firm for its own classification purposes, or can be amended and extended by the firm for its own purposes. Once the firm has established its taxonomy, the option to assign those elements necessary for use per operating entity is also available, as is the option at the operating entity level to use business-defined “labels” or names to personalise each taxonomy element for that business.



The firm is typically part of a services industry and thus interacts on an ongoing basis with a variety of entities external to the firm itself, such as regulators, financial exchanges, business partners, vendors and suppliers, clients and customers, external auditors, external legal counsel, ratings agencies, etc. Graci – Governance allows for the creation and maintenance of such external entities, as well as the maintenance of addresses and locations and relevant contacts per entity.



FINDINGS AND REQUESTS

While Graci – Compliance supports various forms of regulatory matters, regulatory requests and the resolution of regulatory issues, any firm may face other findings, recommendations or sanctions from non-regulatory bodies which still have some form of jurisdiction over the firm. These include external auditors, industry associations, local business bodies, ratings agencies, etc. Graci – Governance provides functionality to record such external findings and to establish, monitor and complete remedial actions plans for each.

Similarly, various external entities, such as ratings agencies, shareholders, investment analysts and the media, may make formal requests for information to the firm, such as corporate action requests, requests for copies of financial statements or other corporate publications, etc. Graci – Governance allows for such requests to be recorded, the responsibility for responding allocated to a specific operating entity or employee, and for details of the response to be recorded as evidence of fulfilling the request.

Complaints Management

Unfortunately, at some point in time, most firms will receive complaints, whether from clients or customers, business partners, vendors or suppliers, employees or the broader public. Well-managed firms will thus establish appropriate complaints management procedures with a formal response and escalation procedure. In the modern corporate governance environment, such complaints procedures also need to facilitate anonymous whistleblowing.

Graci – Governance includes Complaints Management functionality, with the option to define a taxonomy of complaint types, then to define workflow processes around complaint types to facilitate resolution at the earliest possible point in time. Options to track complaint status and time from receipt to resolution, along with the management of remedial actions, is provided. Specific functionality for anonymous whistleblowing is provided, with an anonymous form which can be escalated directly to a nominated senior executive for attention and action.



Obligations Library

The Graci – Risk Supply Chain Management functionality provides support for the maintenance of contracts and agreements with vendors, suppliers and outsourcing agents. However, most firms have a significant volume of other contractual obligations which need to be tracked, managed, reviewed and serviced, such as contractual arrangements with business partners, representatives and distributors, contractual obligations arising from client and customer agreements and contracts and, where the firm engages in acquisitions, contractual obligations with buyers and sellers.

The Graci – Governance Obligations Library provides a repository of contractual obligations with automated date monitoring, automated reminders and workflow-enabled routing of obligations to nominated senior managers, compliance staff and legal counsel for review or follow-up actions. The obligations library includes support for document storage (applying a WORM principle), actions and attestation to the discharge of the firm's obligations as and when appropriate.



Processes and Controls



The various operating entities within the firm all execute various processes, sub-processes and activities to deliver the firm's services to its customers and clients. Such processes may be manual, partly automated or fully automated, may be stand-alone, or may be a component on a larger, end-to-end process which may involve many different operating entities. Graci – Governance allows for the establishment of a process register per operating entity, with the option to define upstream and downstream dependencies between processes, along with inputs and outputs. Processes can also be flagged to indicate the use of confidential information and whether considered critical from a business resiliency perspective. These process registers form a cornerstone for a 360° perspective across all the activities of the firm. Processes may also be linked to the appropriate procedures which describe how the process is performed, documented and maintained in the Graci – Compliance Policy Management functionality.

Wherever a process is established, it is common for controls to be applied to that process, whether for oversight on the process activity, to prevent or mitigate some specific risk, or to facilitate quality management. Alongside each operating entity's process register is the corresponding controls register, with controls categorised as to class of control (preventative, detective, remedial, etc) and type of control. Information on the design strength of each control can be maintained, along with details on control usage, control testing, control objectives, degree of automation and review frequency.

The Graci – Governance Processes and Controls functionality also allows for the definition of minimum control standards, mapping process types against relevant control types applicable within each process type, defining if such a control type is mandatory, recommended, optional or not applicable for that process type. Minimum control standards can then be assigned to relevant operating entities to assist management in ensuring they implement appropriate controls based on their business activity and products provided.

Business Applications



The firm uses a wide variety of business applications (or systems) for various purposes across its business activities. Each business application will have its own unique characteristics, may be built in-house, purchased from a vendor or used in the Cloud. The Graci – Governance Business Applications functionality allows for the maintenance of a comprehensive list of business applications with specific details of each, as well as information of which operating entities make use of the business application and who is the owning entity. Facility is available to manage periodic reviews of each business application, while details of the supplying vendor and contractual arrangements can be maintained within Graci – Risk Supply Chain Management functionality.

New Initiatives

Every firm will undertake a variety of new initiatives from time to time, whether this relates to restructuring the organisation, relocating, implementing a new business application, migrating from a legacy application, or building and releasing a new product. Each such initiative typically will have an associated project, with a detailed plan, specific phases and activities and with the allocation of responsibility to nominated employees at each stage. It is also common to have project management meetings, status reporting and a governance committee to whom progress needs to be reported.

With some new initiatives, such as the new product development and approval process, once final release of the new product has been approved, the product needs to be added to the existing product register, then the register maintained over time, with periodic reviews and, if applicable, recertification by a regulator with jurisdiction over that product type.

The New Initiatives functionality within Graci – Governance supports all of the above, including the ongoing maintenance and management of the firm's product register.



REPORTING

No governance solution is complete without the ability to generate management reports, Committee reports and Board of Directors reporting. The Graci – Core Infrastructure Report Writer facilitates the design of various forms of reports, which can then be selected, populated with the appropriate data and either generated as required or per a pre-defined schedule, then distributed to applicable recipients in electronic format. All reports, when viewed online, support drill-down into appropriate underlying data. A number of pre-defined report templates are provided for use.



Capital Management



Most firms manage the levels of economic capital they hold as a buffer against business cycles and business risks. Most financial services firms are required to then hold regulatory capital as specific buffers against the manifestation of certain forms of credit, market, liquidity and operational risks. The Graci – Governance Capital Management functionality focusses specifically on operational risk capital, with functionality to calculate and maintain historical records on regulatory capital requirements under the Basic Indicator Approach (BIA), the Standardised Approach (TSA), the Alternate Standardised Approach (ASA) and the Standardised Measurement Approach (SMA). Firms employing the Advanced Measurement Approach (AMA) may interface their own models to Graci, receive the appropriate data feeds, perform the necessary calculations, then upload the calculated capital estimations back into Graci for storage.

Graci – Governance also facilitates the allocation of capital across the firm, using a configurable scorecard approach to calculating each entity's portion of capital, facilitating trends in capital allocation over time.

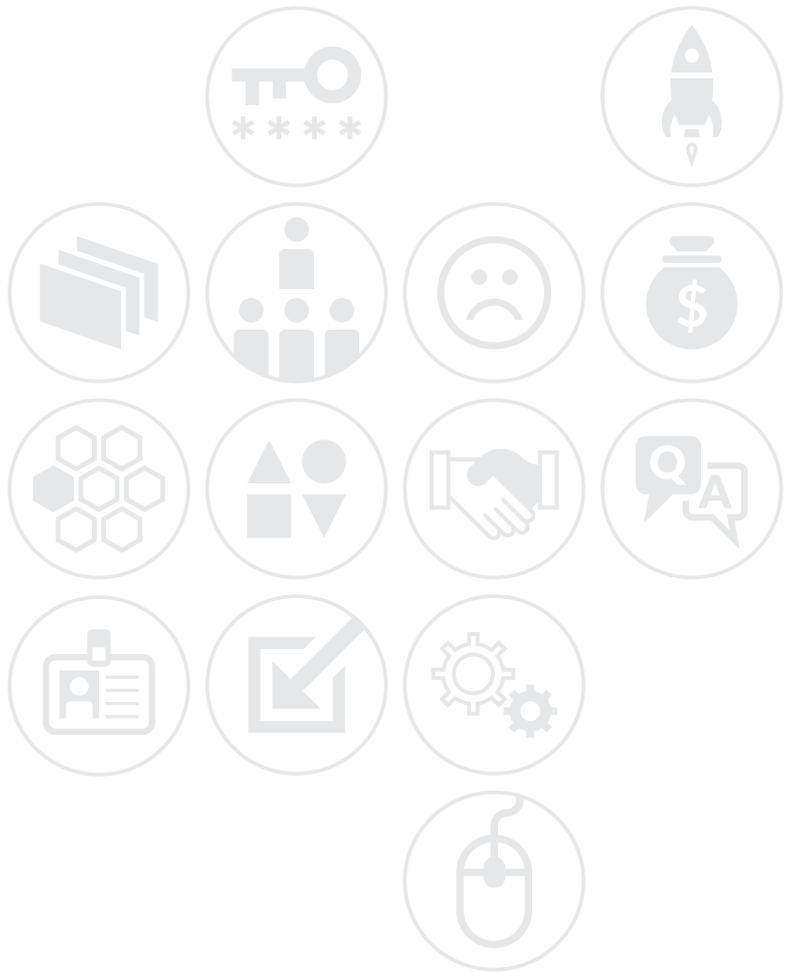
Generic Assessments



Firms often need to survey their employees on a variety of topics, or need to undertake a custom assessment of something for which there is no standard assessment tool in place. The Graci – Governance Generic Assessments functionality allows exactly this, yet in an integrated manner common with the 360° perspective applied across all Graci functionality.

The generic assessments capability supports many different types of questions, from open-ended, multiple choice and yes/no, to single or multiple selections from predefined data, including from any data held within Graci, such as lists of employee names, business applications, risks, controls, processes, policies and procedures, legal or operating entities, etc. Once an assessment has been created, it can be deployed to selected individuals (including pre-defined external entity contacts) for completion, with the option to specify target completion dates and to employ notifications to notify recipients.

The Graci – Governance Generic Assessments functionality can also be used to build document templates for use, for example, within Graci – Audit as the basis for audit working papers; or within Graci – Risk to create decision trees to determine if a candidate model is actually a model; or within Graci – Governance to create both decision trees and questionnaires for use in new initiatives.



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Graci by RiskBusiness, please visit

www.riskbusiness.com

or email us at info@riskbusiness.com