

**Introduction to Risk Advisory Services  
for Financial Services Industry**

# Deloitte makes an impact that matters.

The financial business is at a new crossroads. Society's need for responsible financial functions remains constant, but the way in which these functions are provided and the operators that fulfill them are likely to undergo vast changes.

While a range of costs associated with licensed business are on the rise, capital size, number of branches, and even administrative processing capabilities based on IT and communication networks may no longer serve as barriers to entry into the financial business.

We believe that the financial sector has once again reached a point where it needs to take on new risks in order to move forward and achieve growth. These challenges and risks, however, must be undertaken in a systematic fashion, with the support of advanced governance and cutting-edge technologies.

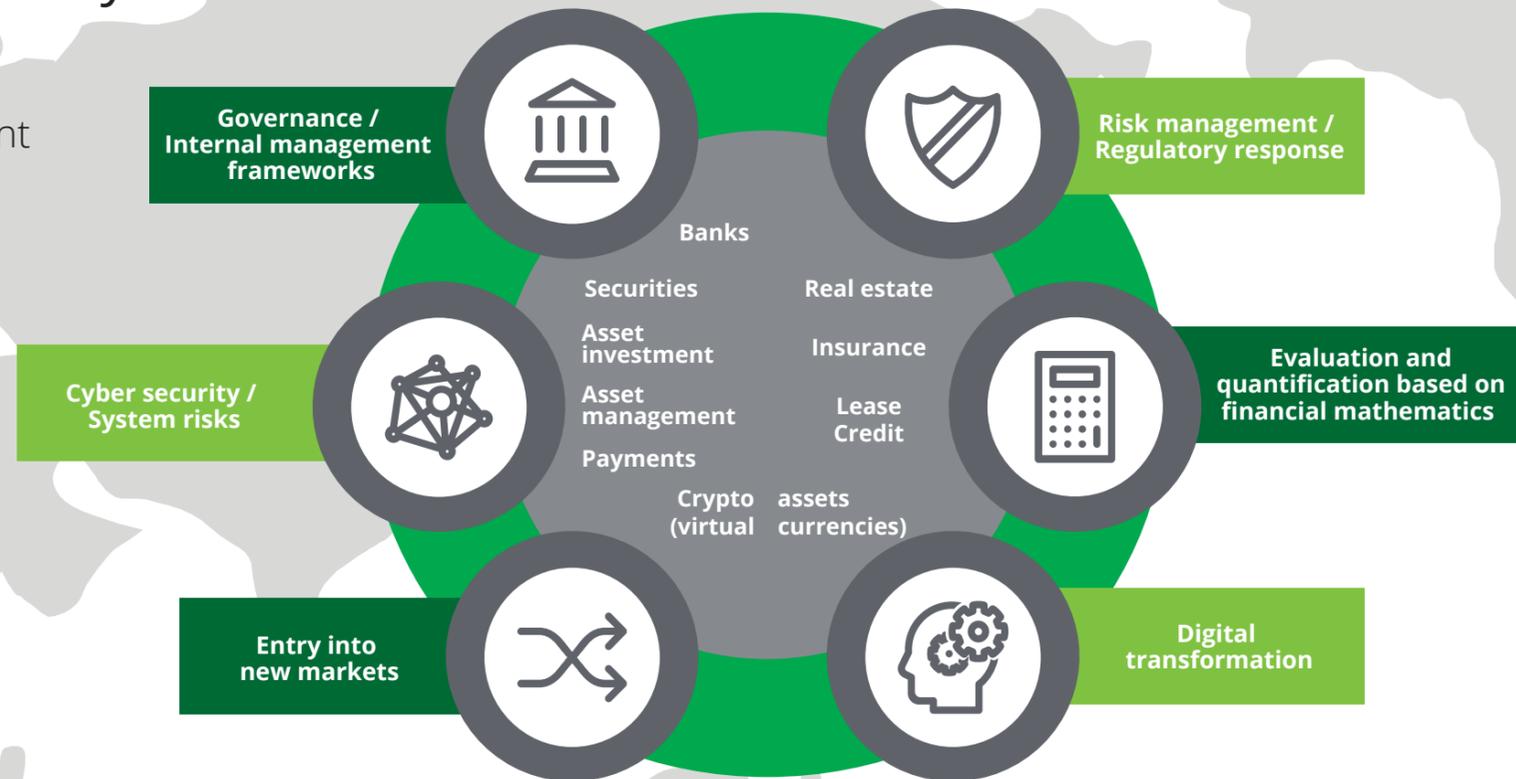
The Deloitte Tohmatsu Group Risk Advisory practice will help you to achieve sustainable growth by offering a range of support services required by financial business operators in order to take risks appropriately and respond accurately to management issues.

By helping ensure the sound performance of the socially essential function of finance, we strive on a daily basis to contribute to society's steady growth, and serve as the most trustworthy advisors in this field.

We hope you will make use of the Deloitte Tohmatsu Group's risk advisory services to help you devise both your offensive and defensive strategies, for new businesses and risks alike.

# Introduction to Risk Advisory Services for Financial Services Industry

Taking on new businesses and risks beyond conventional risk management



## Governance / Internal management frameworks

Our business environment sees increasing trends in compliance risks, operational risks and other risks affecting financial institutions. In this context, in order to boost corporate value, it would be necessary to develop internal controls that allow controlling these risks appropriately, and to carry out business on this basis. Furthermore, in recent years the public has been increasingly demanding that ESG should be considered. The Deloitte Tohmatsu Group provide services including regulatory response in governance, regulatory and compliance areas; external assessment and internal audit co-sourcing; gap analysis for internal controls (including J-SOX and US-SOX) and internal management frameworks; and advice toward sophistication.

## Cyber security / System risks

Demands from regulatory authorities concerning cybersecurity measures becomes increasingly important. We, the Deloitte Tohmatsu Group, have established a Cyber Intelligence Center to provide services in this area. Furthermore, with regard to system risks, which have developed into one of the most significant business risks, we support projects based on the characteristics of each financial institution, and help them achieve their goals such as smooth system integration.

## Entry into new markets

As cashless transactions become more pervasive, a growing number of IT companies are entering the financial sector in the area of payments, leading to a dramatic increase in payments made via QR codes and other digital methods. Moreover, crypto-assets (virtual currencies) such as Bitcoin and unique local electronic currencies have come in use. Under this situation, we provide advice to game changers (fund settlement operators,\* crypto-asset (virtual currency) exchange operators, platform providers and so forth) about regulatory response, governance, compliance, internal management frameworks, systems (security and AI) and the creation of new services, based on our knowledge and experiences.

## Risk management / Regulatory response

With international/national regulations introduced continuously and the suspension of LIBOR announcements under review, financial institutions are taking a variety of measures to survive, including mergers, acquisitions and overseas expansion. In these circumstances, financial institutions must adopt a forward-looking approach to risk management that takes into account the new risks arising from such changes, including non-financial risks. The Deloitte Tohmatsu Group works with Deloitte global member firms to provide services using our knowledge and experience with regard to latest practices and findings.

## Evaluation and quantification based on financial mathematics

Amidst amendments to laws and regulations, increasingly complex evaluation techniques, review in preparation for the application of fair-value accounting criteria, IFRS 9 and IFRS 17, and the advance of globalization, the environment surrounding the financial industry is undergoing considerable changes. This means that financial mathematics are growing more important across a variety of areas, including business/product strategy, valuation, regulatory response and risk management. At the Deloitte Tohmatsu Group, actuaries and quantitative analysts - who are experts in financial mathematics - work with experts in other fields and Deloitte member firms in different countries to provide a variety of services pertaining to financial mathematics.

## Digital transformation

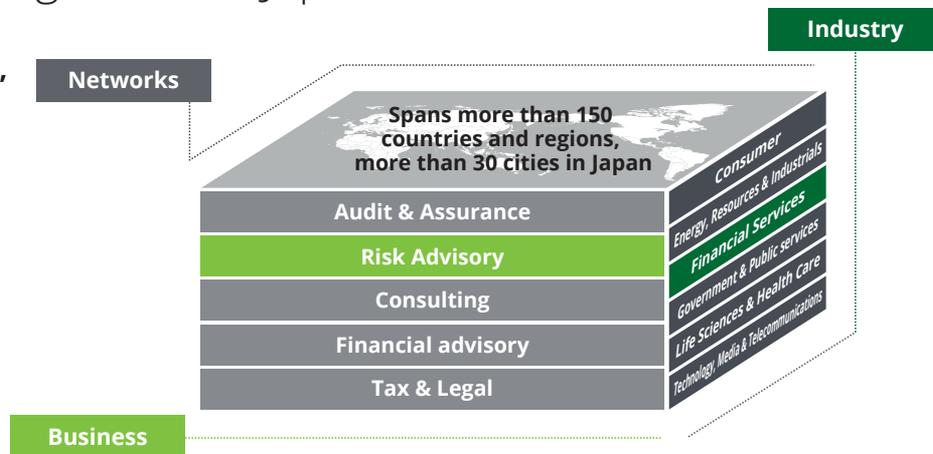
Changes in customer expectations and the emergence of new competitors such as fintech companies, mean that we need to re-think the organizational structure and business model of financial institutions. The experts of the Deloitte Tohmatsu Group, through our initiatives implementing AI and the effective use of data at financial institutions, provide a wide range of services, encompassing business process design, tool implementation, personnel training, and the development of governance based on AI and the effective use of data. We also provide advice on digital risks and other new risks that are growing more significant with the digitalization of business models.

\* "Fund settlement operators" collectively refers to issuers of means of prepayment and fund transfer service providers

The Deloitte Tohmatsu Group has built an extensive service structure, based on high-level expertise and in-depth industry knowledge, both in Japan and abroad

**Overall excellence through services, industries, and the network**

The Deloitte Tohmatsu Group, with its management philosophy of “offering intellectual professional services that exceed the expectations of our clients” and building on the three key aspects of “Business” (high-level expertise), “Industry” (in-depth, specialized knowledge of specific industries), and “Network” (regionally specialized support drawing on the resources of the global Deloitte network), offers a wide range of comprehensive services to its clients, who are working on solving their respective issues.



- \* The following firms handle our Risk Advisory:
- Deloitte Touche Tohmatsu LLC’s Risk Advisory Division
  - Deloitte Tohmatsu Sustainability Co., Ltd. (DTSUS)
  - Deloitte Tohmatsu Cyber LLC (DTCY)
  - Deloitte Tohmatsu Risk Services Co., Ltd. (DTRS)

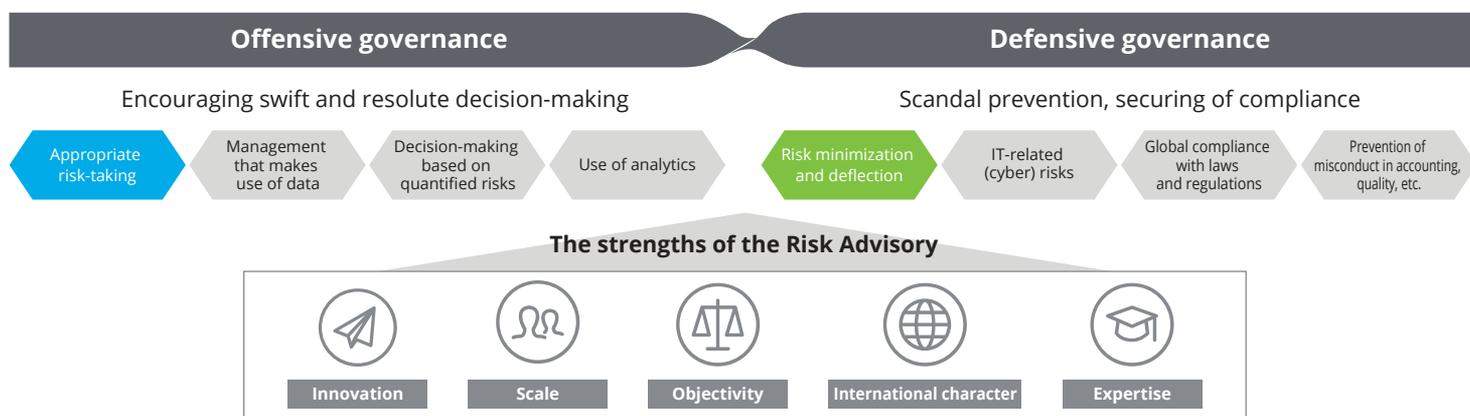
The Risk Advisory provides services allowing for appropriate risk-taking and accurate solutions to management issues, contributing to the sustained growth of companies

In a mature society, we cannot expect sustainable growth without taking risks. The traditional approach to risk management generally accepted any risks that remained after reducing, transferring, and avoiding other risks. However, in order to realize sustainable organizational growth, we need to identify which risks we have to take (accept) and then avoid, transfer, and reduce the others.

To do this, we need to manage strategic risks as well as regulatory risks, based on industry-specific insight. We also need to leverage finance/accounting information and analytics to understand and identify risks. Especially in recent years, control of risks originating from IT and IT-based risk management are particularly sought after.

Furthermore, in a society where global interconnection is growing, global social issues, such as issues that cannot be solved within a company or within a country, are increasing. To solve these issues, the entire Deloitte will do our best to achieve social transformation with our clients, and aim to leave a prosperous society for our next generation.

Deloitte Tohmatsu Group Risk Advisory provides services to support the sustainable growth of our clients using both dynamic and static approaches to their management challenges.



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See here for information on the financial industry  
(including risk advisory):  
[www.deloitte.com/jp/en/industries/financial-services](http://www.deloitte.com/jp/en/industries/financial-services)



See here for general  
information on risk advisory:  
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