

Risk Management Services for the Financial Services Industry

In a rapidly changing economic and legal environment, attention should remain focused on identifying, assessing and managing risk. In order to effectively manage the risks that your organization will encounter when providing banking and financial services to customers, you will need the advice of professionals with a strong understanding of all the intricacies of the banking and financial service industry. We advise our clients on managing risks that may arise at different levels and in different areas within an organization, including:

- strategic risks;
- credit risks;
- market risks;
- liquidity risks;
- operational risks, including those associated with entry to stock markets and IPOs, compliance risks, risks of material misstatements in financial reporting and IT risks.

We always consider the business strategies of our clients and provide services tailored to their needs.

Governance Services

Corporate governance remains an important factor in investment decision-making, especially in emerging markets.

We provide the following corporate governance services:

- Analysis of the current corporate governance practices at the bank (or financial institution), benchmarking and bringing them into compliance with international standards and the best global practices, COSO and Basel guidelines, as well as in line with Russian, UK and US legislation;
- Corporate governance code development;
- Code of ethics/conduct development;

- Assessment and development of the bank's (financial institution's) governance structure;
- Development of recommendations for enhancing the efficiency of interactions between management, the board and shareholders.

Building an effective risk management framework

Our risk management professionals are able to provide the following advisory services:

- Diagnosing and assessing risk management systems at banks (and financial institutions) and their individual components, including an analysis of discrepancies in comparison with the best global risk management practices and Basel guidelines;
- Development of risk management philosophy, structure, methods and processes, namely:
 - Assistance with the development and implementation of risk management structures in organizations in accordance with international corporate-governance standards;
 - Implementation of risk management methodologies and ongoing credit, market and operational risk assessment and control systems;
 - Development and implementation of quantitative and qualitative approaches to risk management, including scoring models.



New Basel Capital Accord (Basel 2) Services

Services in this area include:

- Assessment of Basel 2 readiness;
- Planning and development of implementation schemes and related project management;
- Implementation of the applicable Basel 2 standards in credit, market and operational risk management.

Rating advice

Our risk management professionals provide support to banks and other financial organizations in preparing for ratings procedures with rating agencies. Our rating advice is provided along the following lines:

- Analysis of credit processes;
- Recommendations for improvements to readiness for rating agency requirements.

Building an effective internal control framework

In recent times, more and more financial services organizations regard the building of an effective internal control framework as one of their key priorities, and a guarantee of further success.

We provide the following assistance in building an efficient internal control framework:

- Identification and assessment of risks related to the operations of the bank or financial institution;
- Evaluating the efficiency of the design and implementation of controls aimed at mitigating the identified risks;
- Improving the internal controls by identifying excessive and/or the most important controls covering key risks and most cost-efficient for the bank;
- Reviewing the operational effectiveness of the implemented controls.

Following our work, our professionals may develop documentation describing the processes, risks and controls and provide recommendations on improving internal controls to bring them in line with the best global practices and the regulatory requirements of Russia, US and UK.

Building an effective internal audit function

By way of independent assessment by an internal audit function, the board receives a reasonable overview of the effectiveness of existing risk management and internal controls.

Our professionals can provide the following services to increase the effectiveness of an internal audit:

- Assessment of the internal audit effectiveness and quality based on best practices, global standards and stakeholder expectations;
- Methodological support in setting up an effective internal audit function, including developing the internal audit methodology, organizational and reporting structure, internal audit programs, and requirements for staff qualifications;
- Assistance in developing the risk management process and risk-based audit planning.

Joint projects with other Deloitte practices serving the financial services industry

Bank asset securitization

During these engagements, our professionals assess the quality and reliability of securitized assets by examining the policies and procedures regulating the creation of these assets and comparing them to investor expectations as well as the requirements of the largest ratings agencies. Our professionals also produce recommendations for the elimination of gaps, and check the proper implementation of policies and procedures in the bank's current operations.

Assessment of organizations' readiness to enter stock markets and conduct IPOs or attract strategic investors

As part of these engagements, our professionals assess the corporate governance, risk management and internal control systems, as well as the design of the bank's internal audit system, according to the requirements and guidelines of the regulators and stock exchanges in Russia, the UK and the US (depending on the target market). Following this, a plan and recommendations for the elimination of deficiencies are prepared.

Deloitte's advantage

In the CIS, we have over 130 FSI professionals and more than 140,000 people worldwide.

We have assisted a number of major Russian and international banks and financial institutions in building efficient risk management and internal control systems and improving the efficiency of their internal audit function.

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