



# InteDelta Risk Integration Services

InteDelta's Risk Integration Services offering is aimed at helping financial institutions going through post-merger integration to bring together the respective risk management areas of the merging entities. The success of our approach is defined by our twin capabilities of structured change management and subject matter expertise within risk management. This enables us to support the end to end risk integration process from the set up of aligned organisation and governance structures through to the harmonisation of business processes and the integration of risk technology platforms.

Implementing structural change within risk management is subject to major challenges, even when undertaken in an otherwise stable 'business as usual' environment. When such change is required to happen as part of a larger post-merger integration process, with all of the additional uncertainty and instability which this brings, these challenges are significantly intensified.

InteDelta has extensive experience in managing change within risk management environments. This has enabled us to design an approach to post-merger risk management integration covering organisation, governance, process and technology which is based upon experience, expertise and a clear understanding of risk management best practice.

## Depending upon the institution's needs, InteDelta's Risk Integration Services contains the following elements:

- **Entity Risk Review** of each of the merging entities
- **Risk Divergence Analysis** (identifying differences in practice between the entities, incompatibilities, etc.)
- **Risk Alignment Proposition** defining the target model for risk integration, taking best practice from each entity as necessary
- **Implementation Planning & Execution**

### *Expert-based approach*

InteDelta specialises in risk management. As such, the InteDelta Risk Integration Services offering is an expert-based approach. We have defined a clear and structured approach to integrating risk management functions, but it is not a generic approach, it has been defined specifically for risk management.

### *No 'one size fits all'*

Whilst our approach is structured and proven, we understand that all integration projects have different drivers. Our expertise and experience enable us to easily tailor the process to the individual institution.

## Entity Risk Review

For organisations at the starting point of a merger process, the initial need is to fully understand the entities being merged. For the risk management part of this integration process, InteDelta's Entity Risk Review is an effective way of gaining this initial understanding. Based upon the InteDelta Risk Map, which is used more widely in reviewing the risk management functions across an organisation, the Entity Risk Review is a diagnostic tool aimed at understanding risk processes - starting from the top of an organisation and, from there, drilling down into the individual risk functions, processes and systems. This covers all aspects of the risk management framework, including:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

The output of this stage is a fully documented and detailed risk map for the individual entity.





## Risk Divergence Analysis

Following completion of the Entity Risk Review for each merging entity, we then employ our Risk Divergence Analysis to map the results of the individual Entity Risk Reviews to one other. The output of this step of the process will be a detailed analysis highlighting where the entities are already aligned and where they diverge. Where there is divergence, we will also highlight where these divergences are merely different and where they are actually incompatible, utilising InteDelta's risk management subject matter expertise to assess compatibility.

**At each step of the process, for each merging entity, we will consider areas such as:**

- **Organisation & Governance**
  - How are the risk management functions organised?
  - Is risk management geographically or functionally organised?
  - To what extent are specific risk functions integrated across the risk organisation (e.g. single methodology team across financial markets credit and market risk)?
  - What risk committee structures are in place?
  - What are the touch points between risk and other departments (e.g. relationship managers)?
- **Business Processes**
  - What are the limit approval processes?
  - How are delegated authorities defined?
  - What methodologies are used in the risk calculations?
  - How is risk monitored?
  - What operational controls are in place in the risk management processes?
  - What risk reporting is generated?
  - What approaches are followed in relation to risk capital (regulatory and economic)?
- **Risk Technology**
  - What is the overall risk architecture in place?
  - What individual technology platforms are in place across the risk management functions?
  - How do these integrate with other parts of the organisation (e.g. front office systems)?
  - Are these systems real-time or batch?
  - Are the risk technology development and support functions aligned?

## Risk Alignment Proposition

Following completion of the Risk Divergence Analysis, the next step is to integrate these into a single target organisational, business and technology operating model. We term this the Risk Alignment Proposition. We will work to define this together with the key stakeholders within the institution. In many organisations, the following approach is taken:

- Where the 2 entities are already fully aligned, this process will carry over to the target model
- Where there is compatible divergence between the 2 entities, both processes will be presented to stakeholders to carry over simultaneously to the target model
- Where there is incompatible divergence, InteDelta will facilitate agreement of the target process between the key stakeholders. As part of this, we will provide our subject matter expertise and knowledge of best market practice to support the process of gaining agreement

The output of the Risk Alignment Proposition will be an aligned target operating model at a sufficient level of detail to enable the integration to move from there to implementation planning.

## Implementation Planning & Execution

Having been through the structured process of defining the target operating model across the full risk management organisation, this provides the platform to move into implementation planning and execution.

InteDelta provides the delivery capability to effectively drive through this implementation phase for your organisation. Once again, this delivery capacity utilises a combination of structured project management approaches combined with risk management subject matter expertise, ensuring that the key risk management issues are kept in focus throughout the integration process. This enables the risk management integration to complete efficiently and within timescales whilst ensuring business goals are fully achieved.

We can provide you with the full Risk Integration Services offering from initial review through to project implementation or, alternatively, we can provide you with individual parts of this process, if this is more appropriate to your particular needs.

For more information please e-mail [contact@intedelta.com](mailto:contact@intedelta.com) or call us on **+44 (0) 20 7153 1293**. Further information about InteDelta can also be found at [www.intedelta.com](http://www.intedelta.com)