

Implementing a risk event database at LGT



LGT

LGT, which has been owned by the Princely Family of Liechtenstein for over 80 years, has vast experience in managing family assets. In both its business and investment strategies, the company focuses on long-term perspectives. Due to its ownership arrangement, LGT has a clear and efficient organizational structure that enables fast, independent decision-making.

Fast facts*

- 22 locations worldwide
- 3,544 employees
- Managed assets: CHF 215 billion
- Net profit: CHF 155.6 million

* as of June 30, 2019

LGT has been a client of avedos for many years and uses risk2value to support various GRC processes. One of these applications is ORED, a group database for assessing and evaluating operational risk events along with their financial and non-financial effects. This project stemmed from the idea to harmonize the existing risk management with the internal control system and consolidate disparate local solutions. Implementing regulatory requirements with the greatest-possible benefits for the business processes also played a decisive role.

Main drivers

- Fulfillment of regulatory requirements (e.g. periodic reports of losses from operational events, changes in capital requirements for operational risks, risk data reporting and aggregation)
- Common, consistent solution for collecting data on loss events

Requirements

- Mapping regulatory and internal requirements on collecting data related to loss events (e.g. structures, information, aggregation)
- Simple, targeted solution empowering each employee in the group to report/input loss events to avoid media breaks and inefficiency

Good preparation lays the ground for a successful implementation

- **Prep work** - Meticulous preparation of the content and concept design and development of a clear target system before starting the implementation project
- **Time frame** - Extremely tight (final regulatory requirements in March 2017, go live in January 2018) and only possible due to the solid preparation within an established team
- **Power users** - Played a key role in building user acceptance through their valuable feedback in the initial discussions on the overall framework and strong engagement during the testing phase
- **Training** - Learning the concept, process and tool, in part, with on-site support
- **Awareness** - Transfer of responsibility to the employees by involving power users

Summary

Although regulatory requirements were the primary driver for the project, the company profits from having access to timely information on operational risk events throughout the group from a single, central location. This lays the foundation to logically link information with other applications and ensure an integrated, consistent view of operational risks. Nonetheless, some resistance to the selected approach has emerged. The changes are also bringing about cultural change, which demands ongoing support.

Added value

LGT profits from ORED in many ways:

- One central database and single point of truth across the enterprise in combination with information on operational risk events (with or without financial effects)
- Timely availability of information on incidents and their effects in a comparable or identical approach
- Easy integration and extensibility with related tasks (e.g. reporting potential breaches against GDPR)
- Linking historical loss events with other areas (e.g. risk assessments in the ICS) through identical structures and taxonomies

Outlook

- Building trust in the system along with further change management activities (e.g. simplifying the data model)
- Developing (interactive) reporting functionality
- Evaluating a rollout to further/related areas

