

# A holistic approach to GRC

## Governance, Risk Management and Compliance Solutions for Financial Institutions

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June 2010

### Summary

Financial institutions are being advised to embrace ‘a holistic approach to their governance, risk and compliance program. Today most institutions not only view such a program as necessary, they also know that something must be done in that respect. The question is what, when and, most importantly, how they do it.

A mix of *people*, *processes* and *technologies* are necessary to fulfill the complex requirements of GRC.



In the executive suites everyone is in agreement: *Compliance* is currently a priority topic. Compliance violations can result in financial penalties or even criminal charges, but more importantly, they have negative repercussions on business. In America, on top of the recent Dodd-Frank Wall Street Reform and Consumer Protection Act, some 300 existing regulations are expected to be modified and new legislation regarding financial transactions is signed or tabled almost daily. The situation is much the same in Europe where the *Markets in Financial Instruments Directive* (MiFID), the Money Laundering Act, Data Protection and Regulations for financial accounting and controlling are under scrutiny.

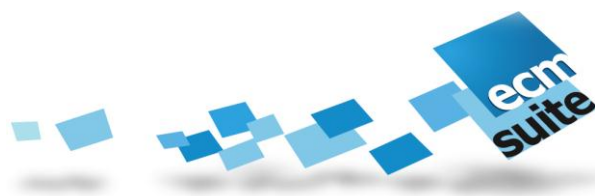
Is a Board initiative therefore enough to address *Compliance* issues? After all, there is much more to building a holistic governance, risk and compliance (GRC) framework than mere lip service provided by management. So what exactly do banks need to do to respond to such challenges?

Typically, financial institutions have responded to GRC initiatives with an array of spreadsheets, reporting solutions and ad hoc committees. This approach, however, is characterized by one-off or point solutions designed for each compliance issue and thus by high costs. Studies have shown that organizations relying on *Point-Solutions* spend ten times more for their Compliance Solutions than organizations investing in 'reusable' solutions that offer functionality for addressing simultaneously different GRC problems and requirements.

So, what needs to be done to break away from these costly and manual GRC measures which grow increasingly complex over the years? In short, the holistic GRC framework is a mix of *people, processes and technology*, and hinges on a core set of building blocks that enable institutions to manage challenges and mandates in a centralized fashion. In working with Jeff Jinnett, the GRC industry market development manager, US Financial Services Group at Microsoft, we have learned of the following methodology that is accepted and adopted by a growing number of leading institutions in America.

#### 1. Identify the top legal and policy mandates applicable to the company

Essentially, build the GRC landscape for the company. What are the key regulations and what are the requirements for *Compliance*? Additionally, assess exposure to legal action and what internal policies are in place to respond to discovery orders (*eDiscovery*) and control litigation costs.



**2. Identify common GRC issues in different GRC areas**

It is important to establish as many areas of commonality in order to accelerate the centralization of a GRC framework. Issues include privacy, security and rights management, audit and record keeping of relevant data.

**3. Seek to develop multi-purpose policies and IT solutions for the most important GRC issues**

Breaking away from the *point-to-point solution* approach can be accomplished by leveraging existing investments, including components of Microsoft Office such as Excel and SharePoint as well as enterprise content management (ECM) platforms such as Open Text ECM Suite.

**4. Develop a GRC training handbook and recurring reporting about initiatives**

At the end of the introduction process, develop a GRC training handbook, as well as a GRC summary report published at regular intervals for the entire enterprise. This can help train company personnel, and more easily describe the institution's GRC approach to the board of directors, regulators and other critical third parties. Among these are the enterprise's Board, regulatory authorities and other important parties such as courts.

A GRC training handbook and summary report can also help establish a due diligence defense for the company in the event of a compliance failure by mapping the company's approach against applicable best practices.

Where do the building blocks “people” and “technology” fit in?

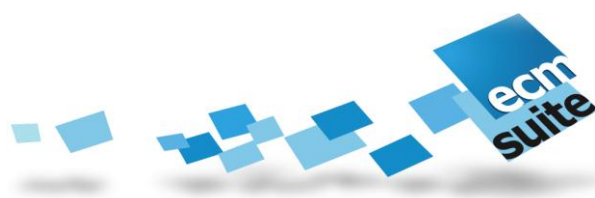
The points mentioned above form the basis for the “process” building block in the GRC framework. But what about the “people” and “technology”? Besides the necessary knowledge about the GRC approach and their personal involvement, it is the staff and their enterprise that take center-stage in a holistic GRC approach. In order for a compliance program to be optimized, staff across departments and geographies need effective tools to collaborate. Microsoft Office SharePoint Server is ideally suited as a collaboration and communication platform as well as facilitating users to collect and assemble the required GRC data.



Technology can also be used to minimize the cost of establishing a holistic GRC framework by leveraging previous investments. Excel, for example, can be used to build the requisite GRC grids for the above mentioned handbook and summary reports, and while the native reporting tools of SharePoint could provide the necessary reports for the C-level, InfoPath could be used to access XML forms that allow users to collect and assemble the required GRC data.

On top of the Microsoft platform, many financial services institutions have invested in ECM technology, like that offered by Open Text. ECM adds a level of content security and records management discipline, thereby combining the unparalleled adoption and ease of use of Microsoft business technology with the enterprise-class records management capabilities. The ability to draw GRC content from any system or repository that leading ECM platforms bring to the table enables institutions to readily establish an effective, holistic GRC framework.

Regardless of how institutions address their GRC challenges in a rapidly changing legal framework landscape, most understand that they need to do it **now**. Flexibility in a GRC solution is imperative, and it represents the only way to remain faithful to the chosen approach in the long term.



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