

## KRI Benchmarking Service

KRI Benchmarking enables operational risk managers to compare operational performance through KRIs both within and across firms--by geography, product, process or risk-type. KRI Benchmarking Services provide a unique opportunity to gain an objective perspective on a financial institution's risk position. With benchmarking, KRI Services significantly enhances the tools available for measuring risk exposure and performance and improves the OpRisk professional's ability to design, implement and monitor effective risk controls.

### Benchmarking Process Highlights

- Firms take part in facilitated peer groups that select and define KRIs for comparison
- Peer groups verify KRI specifications
- Firms collect KRI data based on the agreed specifications
- Firms periodically submit pre-scaled data using a SSL-encrypted channel
- Data is received and anonymised by an independent and secure data custodian
- Analysis is conducted and a variety of reports produced

### Security Measures

KRI Benchmarking Services employ public key infrastructure (PKI) technology for security purposes. KRI Services uses separate Data and Key Custodians. All reports are subject to a minimum number of participating institutions to protect the anonymity of participants.

### Peer to Peer Analysis

For each benchmarked indicator, KRI Benchmarking Services combines data from all participating firms and derives a set of benchmarked values, including the Mean, Standard Deviation, Maximum-Minimum Range, Median and Mode.

Benchmarked values are viewed on a secure website where authorised users from the peer group institutions only can view and download a variety of reports, including standard benchmarks that provide consolidated results without highlighting any one firm; comparative benchmarks that contrast the participant's data to that of its peers; and filtered benchmarks that provide any combination of classifications (such as firm size, business nature, products or services and/or geographic regions) to create customized data sets for comparison.

### Internal Analysis – Additional Value

KRI Services offers internal benchmarking as well as benchmarking against other organizations. Internal benchmarking allows business units, product groups, branches and regional entities within an organization to contribute their data and receive back benchmarking reports with internal comparisons. Internal benchmarking data is not incorporated into industry benchmark values and is available only to authorised users from the submitting firm.



Sample KRI Benchmark report



### Uses of Benchmark Data

Benchmarking data is most commonly used for a simple comparison of the firm's position to its peers. Benchmarking answers critical questions such as: is our risk profile higher, lower or equivalent to that of the peer group's? If we are risk assumptive, just how far above the mean are we? Is our risk position still within the boundaries of our risk appetite or are adjustments in order?

Benchmarking also helps risk managers validate thresholds set on key indicators. For example, if thresholds call for credit approvals to take between 3 to 7 days, completing the process in fewer than 3 days may signal inadequate diligence, while taking more than 7 days fails to meet customer expectations. We track the indicator and – when the threshold is breached – investigate and take action. But do 3 and 7 days define a “good” range within which to operate? What if our peers function within different ranges? Answers to these questions help shape risk strategies by providing information about relative risk positions and pinpointing areas where change in risk profile is warranted.

Benchmarking can also improve disclosure statements. Communications with regulators, ratings agencies, investment analysts, media, shareholders and staff benefit from high quality, standardised data that reflects the firm's position and its place among industry peers. Cross-industry comparative data is critical to building a comprehensive and dynamic risk profile--one that enhances both intra and inter-firm decision making. For example, a ratings agency can use indicator benchmarks as they would standard financial ratios--as an input to their ratings methodology -- and to ensure ratings that are more representative of true operational efficiency and risk.

### Benchmarking – The Next Best Practice

Benchmarking is not just restricted to KRIs – firms can compare virtually any form of data against a peer group, ranging from capital requirements (under different forms of regulatory approach or regime), scenario input parameters and outputs, risk ratings, business continuity preparedness ratings, information security ratings, COBIT/ISO/IT security ratings, etc. Firms have also benchmarked loss experience, represented by total impact and number of events per *risk point*, based on the RiskBusiness Taxonomy.

The RiskBusiness KRI Benchmarking Service is web-based, using PKI-technology to safe-guard each participants data, and is available with a supporting software development kit, aimed at assisting with the development of direct core system interfaces. The Service also accepts file uploads in XML and csv formats to assist in data collection.

For more information on the RiskBusiness KRI Benchmarking Service, please contact RiskBusiness International through one of the contacts provided on our website or email us at [info@RiskBusiness.com](mailto:info@RiskBusiness.com).

