

Technology and System Risk Rating Methodology: Enterprise Risk Management Solutions for Financial, Hedge Funds and All other Industries™

Armelle Guizot*

Enterprise Risk Management Symposium
Society of Actuaries

Chicago, IL

March 28-30, 2007

Copyright 2007 by the Society of Actuaries.

All rights reserved by the Society of Actuaries. Permission is granted to make brief excerpts for a published review. Permission is also granted to make limited numbers of copies of items in this monograph for personal, internal, classroom or other instructional use, on condition that the foregoing copyright notice is used so as to give reasonable notice of the Society's copyright. This consent for free limited copying without prior consent of the Society does not extend to making copies for general distribution, for advertising or promotional purposes, for inclusion in new collective works or for resale.

Abstract :

* Armelle Guizot is an independent researcher and consultant. She may be reached at armelleguizot@hotmail.com.

“Technology and System Risk Rating Methodology : Enterprise Risk Management Solutions For Financial, Hedge Funds and All other Industries” is a global rating methodology to measure the adequacy and reliability of technologies and systems’ applications in the financial departments of all corporations and companies globally. The rating methodology provides a list of criteria and standards to measure the adequacy of the risk management technologies applied in all industries to manage financial management reporting and statements.

Systems may include trading, risk management (insurance, compliance, credit, technology, market, counterparty, collateral, interactive trading, operational, liquidity, corporate governance risks), back, middle and front office applications, infrastructural tools, exchange trading platforms, electronic trading networks, and customized architectural information technology solutions.

The main criteria and standards to benchmark the adequacy of the technologies and systems are : coverage of financial products; global corporate governance, legal and compliance applications; scalability; departmental infrastructural interactions and coverage; risk management types; quantitative capacities; qualitative capacities; global security convergence standards; geographical presence and representation; transparency abilities; price transparency.

The rating levels grade technologies and systems in four levels such as :

- One : worse
- Two : average
- Three : good
- Four : best or excellent

The rating methodology also includes the results of a global study of most financial and risk management technologies. The studied sample counts about 222 systems globally and have been analyzed individually using the criteria, standards and grading levels.

The study is to provide all industries with some basic benchmark to test and evaluate the feasibility of financial systems’ and technologies’ applications they may consider purchasing to manage their internal financial statements.