Chartis

Chartis RiskTech100® 2014

IBM Highlights

RiskTech 100®

2014 Overall Winner

About Chartis

Chartis is a leading provider of research and analysis covering the global market for risk management technology. Our goal is to support enterprises seeking to optimize business performance through better risk management, corporate governance and compliance. We help clients make informed technology and business decisions by providing in-depth analysis and actionable advice on the broad spectrum of risk and compliance technology offerings. Areas of expertise include:

- Credit risk
- Operational risk and governance, risk and compliance (GRC)
- Market risk
- Asset and liability management (ALM) and liquidity risk
- Energy and commodity trading risk
- Financial crime including trader surveillance, anti-fraud and anti-money laundering
- Insurance risk
- Regulatory requirements including Basel 2, Basel 3, Dodd-Frank, EMIR and Solvency II

Chartis is solely focused on risk and compliance technology giving it significant advantage over generic market analysts.

Chartis has brought together a leading team of analysts and advisors from the risk management and financial services industries. This team has hands-on experience of implementing and developing risk management systems and programs for Fortune 500 companies and leading consulting houses.

Chartis Research is authorized and regulated in the United Kingdom by the Financial Conduct Authority (FCA) to provide investment advice.

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1- Introduction

IBM's risk offerings are spearheaded by its Business Analytics and Optimization practice. The practice has in excess of 9,000 consultants, including almost 400 researchers, with 9 dedicated analytics solution centers all over the world.

IBM's Risk Analytics division is a leader in enterprise risk solutions, dedicated to helping financial institutions and corporates understand and manage risk.

IBM's suite of solutions combines risk management software, services, advice, and content to help financial institutions and corporates gain an integrated, enterprise-wide view of risk, meet regulatory requirements, and make better business decisions. IBM provides analytics engines and risk-aware business application solutions to meet the need to measure risk and to better manage an enterprise through the use of risk intelligence.

IBM has continued to expand its portfolio of acquisitions, further integrating the additions of OpenPages (acquired in 2010) and Algorithmics (acquired in 2011). In addition, IBM has acquired Trusteer, facilitating the expansion of its cloud solution, cyber security and regulatory measures.

During 2013 it launched the Integrated Risk Platform, a risk reporting platform enabling a single aggregated view of risk results, delivering enhanced risk-based decision making. Cognos' capabilities have been integrated into the Algo One platform products facilitating performance risk-and-return analytics in the capital markets decision making solution. Full risk simulations, including pre-deal, what-if risk profiles, are calculated in real or near-real time.

IBM Risk Analytics has moved into new and expanding geographical markets such as Asia-Pacific while continuing development of solutions for the capital markets and insurance industry. In addition consultancy 'Centers of Competence' have been established. These represent a continuance of the ongoing strategy to expand the business analytics and optimization software services.
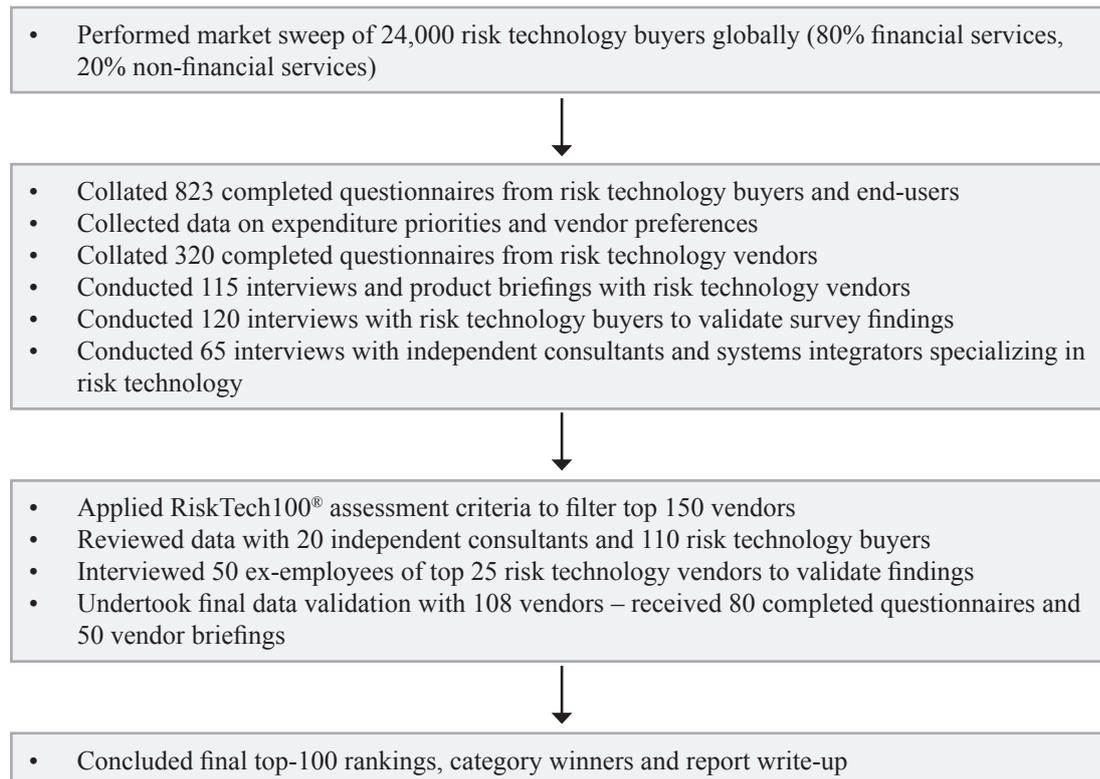
The products include:

- Market risk - providing a scalable integrated risk platform enabling the measurement, control and management of multiple asset classes and risk factors.
- ALM and Liquidity risk - utilizing a flexible, scenario-based framework including simulation-based solutions to handle sophisticated products, address regulatory requirements, and support advanced stochastic calculations.
- Strategic Business Planning - an integrated modeling platform for forecasting and stress-testing multi-risk capital and income over a range of macro-economic scenarios for interactive business-planning.
- Operational risk and GRC - an integrated approach to the identification, management and measurement of operational risk, including a quantitative loss database, scalable, workflow-driven processes, and a rapid deployment option based on industry best practices and IBM domain expertise.
- Credit risk - defining and managing states of the credit granting and monitoring process, from credit approvals and renewals to compliance, collateral and documentation management, incorporating credit exposures across the enterprise, and calculating and aggregating simulation-based exposures.
- Collateral management solutions – providing access to accurate collateral related data, reducing operational risk, and increasing business opportunities.
- Actuarial modeling - providing an insurance modeling system to deliver risk and value information to clients to support reliable decision making, including specific solutions for Solvency II.

2- RiskTech100® research methodology

The rankings in Chartis's RiskTech100® report reflect our analysts' considered opinions, along with research into market trends, participants, expenditure patterns, and best practices. The data collection for this study started in January 2013 and the analysis has been validated through several phases of independent verification. This study is the most comprehensive of its kind and is a core element of Chartis' annual research cycle.

Figure 1: RiskTech100® research methodology – 2014

- Performed market sweep of 24,000 risk technology buyers globally (80% financial services, 20% non-financial services)

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- Collated 823 completed questionnaires from risk technology buyers and end-users
- Collected data on expenditure priorities and vendor preferences
- Collated 320 completed questionnaires from risk technology vendors
- Conducted 115 interviews and product briefings with risk technology vendors
- Conducted 120 interviews with risk technology buyers to validate survey findings
- Conducted 65 interviews with independent consultants and systems integrators specializing in risk technology

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- Applied RiskTech100® assessment criteria to filter top 150 vendors
- Reviewed data with 20 independent consultants and 110 risk technology buyers
- Interviewed 50 ex-employees of top 25 risk technology vendors to validate findings
- Undertook final data validation with 108 vendors – received 80 completed questionnaires and 50 vendor briefings

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- Concluded final top-100 rankings, category winners and report write-up

3- How to read the RiskTech100® rankings:

The RiskTech100® assessment criteria comprises six equally weighted categories:

- Functionality
- Core technology
- Organizational strength
- Customer satisfaction
- Market presence
- Innovation

Within each category, a number of sub-categories are weighted according to the level of importance that end-users and systems integrators attach to these aspects of risk technology provision.

Table 1: RiskTech100® assessment criteria (sub-category weightings are shown in brackets)

Functionality	• *Depth of functionality* (0.5) – The level of sophistication and detailed features in the software product. Aspects assessed include: innovative functionality, practical relevance of features, user-friendliness, flexibility, and embedded intellectual property. High scores are given to those firms that achieved an appropriate balance between sophistication and user-friendliness. In addition, functionality linking risk to performance is given a positive score. • *Breadth of functionality* (0.5) – The spectrum of risks covered as part of an enterprise risk management solution. The risk spectrum under consideration includes treasury risk management, trading risk, market risk, credit risk, operational risk, energy risk, business/strategic risk, actuarial risk, asset-liability risk, financial crime, and compliance. Functionality within and integration between front-office (customer-facing) and middle-back office (compliance, supervisory, and governance) risk management systems are also considered. High scores are given to those firms achieving (or approaching) integrated risk management – breaking the silos between different risk management functions.
Core Technology	• *Data management* (0.35) – The ability of enterprise risk management systems to interact with other systems and handle large volumes of data. Data quality is often cited as a critical success factor, and ease of data access, data integration, data storage, and data movement capabilities are all important factors. • *Risk analytics* (0.35) – The computational power of the core system, the ability to analyze large amounts of data in a timely manner (e.g. real-time analytics), and the ability to improve analytical performance are all important factors. • *Reporting* (0.30) – The ability to surface information in a timely manner. The quality and flexibility of reporting tools and ease of use are important for all risk management systems

Organizational Strength	• *Sales execution* (0.25) – The size and quality of sales force, sales distribution channels, global presence, focus on risk management, messaging, and positioning are all important factors. • *Financial strength/stability* (0.25) – Revenue growth, profitability, sustainability, and financial backing. (The ratio of license to consulting revenues is key to business scalability.) • *Implementation and support* (0.25) – Important factors include size and quality of implementation team, approach to software implementation, and post-sales support and training. • *Thought-leadership* (0.25) – Business insight/understanding, new thinking, formulation and execution of best practices, and intellectual rigor are considered important by end-users.
Customer Satisfaction	• *Value for money* (0.4) – Price to functionality ratio, total cost of ownership versus license price. • *After sales service and support* (0.4) – Important factors include ease of software implementation, level of support, and quality of training. • *Product updates* (0.2) – End-users consider frequency of updates, keeping pace with best-practice and regulatory changes to be important.
Market Presence	• *Market penetration* (0.4) – Number of customers in chosen markets, rate of growth relative to sector growth rate. • *Market potential* (0.3) – Brand awareness, reputation, and the ability to leverage current market position to expand horizontally (with new offerings) or vertically (into new sectors). • *Momentum* (0.3) – Performance over the last 12 months, including financial performance, new product releases, quantity and quality of contract wins and market expansion moves.
Innovation	• *New product development* (0.4) – New ideas, functionality and technologies to improve risk management for target customers. Chartis assesses new product development, not in absolute terms, but in relation to the vendor's closest competitors. • *Exploitation* (0.4) – Developing new products is only the first step in generating success. Speed to market, positioning of new products and translation to incremental revenues are critical success factors. • *New business models* (0.2) – Innovation is not limited to the product dimension. Some risk technology vendors are also actively working toward new business models for generating profitable growth.

The table below presents the top 10 firms of the RiskTech100®:

Table 2: RiskTech100® top 10

Rank 2014	Rank 2012-13	Company	HQ	Total Score	Functionality	Core Technology	Organizational Strength	Customer Satisfaction	Market Presence	Innovation
1	1	IBM	US	69.50%	82%	75%	66%	56%	69%	69%
2	2	SAS	US	68.00%	80%	77%	62%	59%	65%	65%
3	3	SunGard	US	66.80%	78%	67%	65%	61%	68%	62%
4	6	Wolters Kluwer FS	US	63.70%	67%	62%	66%	64%	64%	59%
5	7	Moody's Analytics	US	63.50%	64%	63%	69%	61%	63%	61%
6	4	Oracle	US	63.30%	73%	75%	65%	50%	55%	62%
7	8	MSCI	US	62.70%	63%	58%	68%	59%	63%	65%
8	5	Misys	UK	62.50%	70%	65%	64%	54%	60%	62%
9	14	OpenLink	US	62.20%	63%	64%	65%	59%	60%	62%
10	10	Fiserv	US	61.80%	64%	60%	64%	63%	62%	58%

Source: RiskTech100® 2014

4- IBM rankings per category

Table 3 details specific rankings of IBM for each **RiskTech100®** category and supporting explanations.

Table 3: IBM ranking per category

Assessment Category	IBM Ranking	Explanation
Functionality	1st	*Depth of Functionality:* IBM has deep functionality and intellectual property in market risk, credit risk, actuarial risk, liquidity risk, and collateral management. The range of features and methodologies covered by these solutions positions IBM as a leader in the risk technology marketplace. The Integrated Risk Platform launched in 2013 represents a single view of risk from a single data source, enabling the communication of enterprise-level risk information to a wide variety of users. IBM's recent investments in CVA (Credit Value Adjustment), enterprise collateral management, model risk governance, Basel 3, and Solvency II functionality were key contributors to its high score in this category.
Core Technology	2nd	IBM has a number of core technology capabilities that have been established through organic R&D as well as through acquisitions. These include deep capabilities in data integration technology, data management, business analytics and business intelligence. IBM's continuing investment in "Smarter Risk" was an important contributor to its high score in this category. This represents a commitment to generation of timely intelligence supported by real-time capabilities and the capturing of a holistic view of risks supported by cloud based and enterprise-level solutions. The integration of acquired analytics such as Cognos and Trusteer has contributed further to the high scores in this area.
Organizational Strength	3rd	*Sales execution:* IBM has established global direct sales and marketing teams supported by experienced product management professionals. *Financial strength and stability:* IBM is an established and financially strong firm. It achieved one of the highest scores in this category. *Implementation and support:* IBM has a sizeable, knowledgeable and growing professional services team that is a key differentiator compared with other leading risk technology vendors, including the establishment of consultancy 'Centers of Competence.' In addition, IBM provides a variety of implementation methods, including cloud-based, on-premise, and hybrid deployment models. *Thought leadership:* Algorithmics has a strong tradition in risk management thought-leadership and continues to publish whitepapers, videos and articles on diverse elements of risk management.
Customer Satisfaction	30th	IBM Algorithmics and IBM OpenPages have consistently been in the top third in our end-user surveys. It should be noted that the implementation times and vastly greater technical challenges make it more difficult for "one-stop shop" enterprise vendors like IBM to receive high satisfaction scores than it is for vendors with point solutions and a smaller customer-base.

Assessment Category	IBM Ranking	Explanation
Market Presence	**1**st	IBM retains a dominant position in the areas of banking, capital markets, and insurance. In addition, it retains a strong presence in the non-financial sector, and multiple partnerships with consulting firms such as PwC, KPMG, E&Y and Deloitte. This success provides a good platform for future growth in areas such as insurance risk, conduct risk, and model risk management. Geographically, IBM's footprint spans 170 countries, and IBM retains focus on new and expanding markets including Asia-Pacific and China.
Innovation	**1**st	IBM is an innovative company. It is the world's leading patent holder and has topped the US patent list for the 21st consecutive year. Furthermore, IBM has established a continuous flow of innovation in risk technology, which is also supported by patents in such areas as integrated market and credit risk, cloud-based technology, scenario generation and operational risk capital modeling. Recent innovative solutions relating to CVA, stress-testing and simulation-based approaches, cloud-based solutions, and integrated risk platforms contributed to IBM's high scores in this category.

5- Further reading

- Basel 3 Technology Solutions 2013
- Data Management and BI for Risk
- Enterprise GRC Systems 2014
- Operational Risk Management Systems for Financial Services 2013
- Anti Money Laundering Solutions 2013
- Enterprise Fraud Management Solutions for Financial Services 2013
- Buy-Side Risk Analytics 2013
- Solvency II Technology Solutions 2014
- Global Risk IT Expenditure 2014-15
- RiskTech100® 2014

For all of these reports see: www.chartis-research.com