

The title 'Financial Risk Management' is centered in a white, sans-serif font within a semi-transparent dark blue rectangular box that overlaps the top image of coins.

ADVISORY

The Challenge - Balancing Risk versus Return.

Many times today, people look upwards, striving for that never quite enough return. But look downwards too! You could just be balancing a fine line between a quantum return and a huge loss. Many of the traditional assumptions about risks and managing them are being challenged if not entirely overthrown. In light of the need for Financial Institutions to assess the soundness and appropriateness of their internal assessment and risk management strategies, Risk Management is increasingly a key constituent of maximizing and safeguarding shareholder interest.

Think Enron, think Barings. Think...

At KPMG Business Advisory's Financial Risk Management ("FRM") division, we provide a wide range of sophisticated financial risk management services for a wide variety of client groups. Among our key client groups are:

- Banking financial institutions;
- Non-bank financial institutions, e.g. insurance, stock and futures broking companies, hedge funds, etc.;
- Corporates, e.g. within the Treasury function; and
- Regulators and securities exchanges.

Our service offering

At the FRM division, we provide a wide range of risk advisory services, which are tailored to your institution. Our principal advisory lines are:

- Gap Analysis, be it versus the

Basel II Accord, risk management global best practice or versus your national regulator's requirements, e.g. Bank Negara Malaysia. This provides you with an indication of where you are today and where the key gaps are with regard to reaching your risk management goals;

- Risk Organization. Validation of your organisation structure and that the risk management role and responsibilities are correct;
- Drafting of risk documents, e.g. Risk Policies and Procedures, Risk Strategy;
- Risk Management Implementation Road Maps. Implementation plans to achieve your risk management goals in the shortest permissible time frame;
- Financial Model Validation. An independent validation of your Market Risk / Value-At-Risk (VAR) models, Credit Risk models and Operational Risk models;



- Development of Credit Risk models, e.g. Credit Scoring retail models;
- Operational Risk. Incident data collection and management system, risk control self assessment and key risk indicators;
- Risk Reporting. Design of risk reporting templates and automation of risk reporting via implementation with a software vendor;
- Basel II Services. This line of services starts from Impact Analysis or choosing the best options available under Basel II for your bank to Designing a Basel II Master Plan to the actual implementation;
- Tailored Solutions. Solutions where we build a risk management solution from the basic risk management building blocks, e.g. implementing our design deliverables in vendor risk management software, hedging strategy, etc.
- Risk should be linked to capital;
- A control structure should be defined to mitigate inappropriate claims against capital;
- Technology should be integrated into the process to provide timely and accurate risk management information; and
- The risk management framework should provide for a continuous reassessment of all of the above.

We aim to achieve the following objectives for our clients through our risk management processes:

- Reduce the volatility of earnings over time;
- Increase shareholder value; and
- Instill a risk culture and management style necessary to realize the benefits of a consolidated view of risk/return management.

To complement the above offerings, we also engage in a variety of complementary services such as training, project management and implementation.

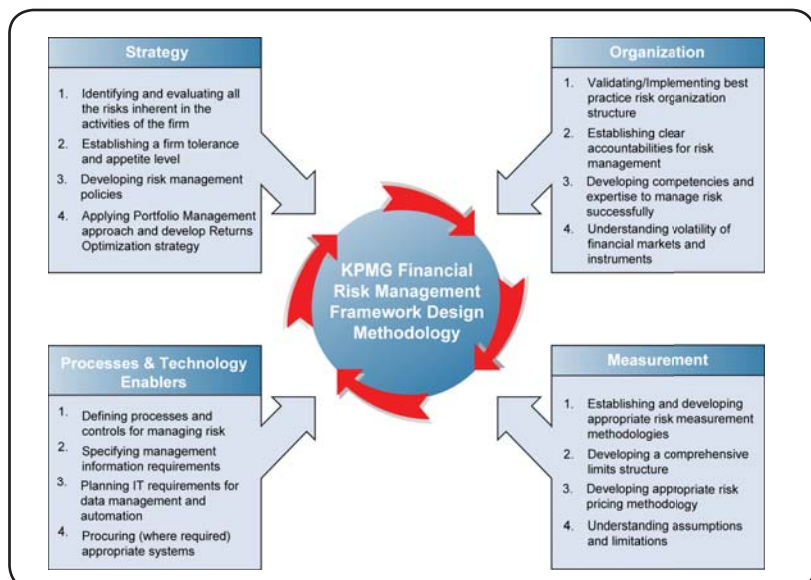
The KPMG Financial Risk Management Framework provides a holistic approach towards financial risk management by segmenting design components into four areas: Strategy, Organization, Measurement and Processes & Technology Enablers as depicted graphically below.

Methodology overview

At KPMG, we believe that:

- An Enterprise-Wide Risk Management Framework should address all dimensions of risk;

After outlining your Risk Framework, the ultimate effectiveness of your risk framework depends on the effectiveness of its implementation.



Here, we believe that the keys to successful Enterprise-Wide Risk Management Implementation are:

- The recognition that change is needed;
 - The need for broad organizational and change management involvement;
 - The business processes, analytics and technology need to be integrated;
 - A top-down, strategic risk preference should be complemented by a bottom-up risk approach;
 - Processes should be linked to your compensation and reward system; and
 - The recognition that risk management is both prospective and dynamic.
- Knowledge. Our people understand localized regulatory requirements in most if not all Asian countries;
 - Qualifications and experience. We employ risk professionals with a wide range of qualifications and hands-on risk management experience who understand and have extensive technical and practical experience in the banking, securities, exchange and insurance sectors; and
 - Economies of scale. FRM Malaysia taps onto the global KPMG FRM practice's research and development centres in London and New York. KPMG's global size means that we can pool resources towards enhancing our risk management products every year, e.g. KPMG's proprietary Basel Assessment Template, a risk tool which enables organizations to quickly and efficiently diagnose where you are with respect to complying with the Basel II Accord.

The benefits to you

We offer you:

- Global best practice. We have an extensive repository of intellectual property on our global knowledge management system;
- Global resources. Clients will be able to tap into our network of global risk professionals which span all the major financial capitals of the world; and
- Knowledge transfer. We advocate working with the client, not working for the client. This means that at the end of each engagement, you should be able to perform the engagement by yourself.

Why KPMG?

- Credentials. We count among our clients more than two-thirds of the anchor banking groups in Malaysia. Demand for our services extends outside the country and the continent. We have advised clients from the financial capitals of Hong Kong, Singapore and Bahrain to the emerging economies of India and Indonesia;





Contact us

For further information, please contact:

Hew Lee Lam Sang

Executive Director
hewlee@kpmg.com.my

Dr John Lee

Executive Director
jhhlee@kpmg.com.my

Anita Menon

Executive Director
anitamenon@kpmg.com.my

KPMG Business Advisory Sdn Bhd

Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor, Malaysia
Phone: +603 7721 3388
Fax: +603 7721 3399