

# ControlFusion

Effective and affordable controls for financial services organisations

## Background

The cost of controls in financial services organisations has dramatically increased in recent times. Despite these large expenditures, damaging high profile incidents continue to happen. This suggests that it may be time to re-think the controls approach.

Because controls currently embedded in business operations are neither fully effective nor transparent, current regimes such as “three lines of defence” have become overly reliant on verifying the business outcomes. This happens too late to protect the business and comes at a very high cost.



There are clear parallels between this situation and the quality control systems employed by western manufacturing companies in the 1970's where, often dramatic increases to verification (inspection) resource made only minor inroads into quality levels. Manufacturing was unable to move forward until it Implemented effective on-line quality controls. This improved defect rates by three or four orders of magnitude and brought the added benefit of a dramatic reduction in operating costs, mostly arising from process rather than output verification.

## Designing effective controls

The four key elements of an effective controls regime are

- Control plans – risk based for each process
- In-process controls – embedded in the business
- Verification – to check the controls are working
- Validation – to check the plans are appropriate

At the heart of an effective controls regime lies the control plan. Each function needs to define a process that will deliver the requirements whilst containing all associated risks. These processes need to have in-built safeguards to avoid undesired outcomes. The imperative is to make these in-process or “on-line” controls effective such that every outcome is as intended “right first time – every time”. The lack of effective “in-process” controls is the root cause of today’s problems. The people responsible for operating

the processes lack the information required to make the right decisions, giving rise to escalation processes and output verification. Solving the problem at source requires the timely provision of all required data, something which has not yet been achieved. Again, there are parallels with manufacturing where delivering change required changes to both methodology and technology.

## The role of transparency

Delivering appropriate information is not of itself sufficient to guarantee robust in-process controls. Any process that involves people is subject to the frailties of human behaviour and It is safest to assume that any defined process can be subverted by a suitably motivated individual. Protection can only come from ensuring appropriate behaviours. Whilst the corporate initiatives to strengthen values and thereby encourage correct behaviours have a significant part to play, this is best reinforced locally by providing full, real time, transparency of all actions taken. Turning this into an effective supervision regime requires suitable tools to provide management with a concise overview of all operations. This can only operate if the few critical exceptions can be identified in what is currently a giant haystack of false-positives.

## ControlFusion

DataFusion technology from Stream Financial has been designed to satisfy the complete range of requirements needed to achieve an effective controls regime.

- Fully granular data for timely decision making
- Drill down for speedy resolution of data breaks
- Full transparency with sophisticated filtering
- Open architecture – leverages legacy estates
- Custom or legacy control panels

Delivering tomorrow's control regime today

