

## RISK MANAGEMENT IN A TIME OF UNCERTAINTY

### Adaptiv 360 helps Kookmin Bank manage risk through the financial crisis to achieve business growth.

Following the financial crisis of 2008, both regulators and senior management within financial services firms began to scrutinize risk management practices in an attempt to understand what went wrong and how such a crisis could be avoided in the future.

Korea is no exception. Local financial authorities reinforced risk management policies and controls, revised regulations to ensure greater conformity to international standards, and required commercial banks to strengthen their risk management efforts.

Mr. Dohan Kim, team head of the risk management department at Kookmin Bank, believes that this scrutiny will only increase.

“The global economy has not yet completely recovered from the financial crisis of 2008. Moreover, there are risk factors such as the fiscal crisis in Europe and problems associated with the high level of domestic debt in Korea. Accordingly, I believe that financial authorities will continue to step up risk management in the foreseeable future,” says Mr. Kim.

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**Mr. Dohan Kim,**  
team head, Risk Management Department,  
Kookmin Bank

Founded in 1963, Kookmin Bank is the largest commercial bank in Korea in terms of both number of customers and asset size. Kookmin Bank also has



one of the biggest market capitalizations among all banks in Korea, making it the largest bank in the country overall.

Originally a retail bank, Kookmin Bank has diversified into securities, credit cards and other banking lines through mergers and acquisitions, such as the 2001 deal with the Housing & Commercial bank. It has local subsidiaries or branches in China, the United States, Japan and other countries.

For the past ten years – well before the crisis – Kookmin Bank has relied upon SunGard’s Adaptiv 360 integrated platform for trade capture, risk and operations management. Mr. Kim says it is a critical tool in the bank’s efforts to strengthen its risk management and regulatory compliance.

## Risk Management After the Crisis

"Kookmin Bank has been controlling the approval process for new products even more strictly since the crisis. More specifically, the bank now has a policy under which trading departments are required to get approval from the risk management committee for new products that are deemed risky," he says.

Adaptiv 360 has played a key part in Kookmin Bank's risk management operations. A consolidated platform for capturing trades and managing risks/operations, Adaptiv 360 combines a trade store that enables users to capture trades across all asset classes in real-time with the best risk management and operation tools. The platform supports OTC derivative products and structured products, as well as products traded on exchanges.

At Kookmin Bank, the solution processes more than 100,000 pieces of data each day. According to Mr. Kim, Kookmin Bank has greatly benefited from its adoption of Adaptiv 360. "We used Adaptiv 360 to create an internal model that has helped improve Kookmin Bank's financial results. Also, when we evaluate the bank's new products, we go through internal modeling using Adaptiv 360 (Deal+)," says Mr. Kim.

Adaptiv 360 is also a very useful tool for analysis, he adds, citing its ability to obtain data for creating analysis reports.

Adaptiv 360's integrated nature is another benefit. "In addition to measuring risks, proper risk management should enable us to offer alternatives and predict market movements, as well as to provide a comprehensive solution that will enhance returns on risk. I believe that banks will move towards providing total solutions that include actual risk management activities," he says.

Adaptiv 360 has also had a positive impact on Kookmin Bank's staff. "Employees feel that their tasks have become much more organized and their

work capabilities have improved, thanks to the enhanced financial knowledge they gained from using Adaptiv 360," Mr. Kim explains.

In addition to managing new regulations and scrutiny, Kookmin Bank has ambitious plans to expand its business. The bank is part of a wave of large Korean financial institutions that are broadening their customer bases by moving into emerging markets. "Our bank aims to become a leading Asian bank, ranking within the top 50 global banks on the basis of the largest number of customers in Korea and vast business networks," says Mr. Kim.

Despite Kookmin Bank's global aspirations, Mr. Kim remains mindful of the risks that expansion entails.

"Expansion into an unfamiliar market means that there is a possibility of exposure to unknown risks. Therefore, if growth in size is not accompanied by proper risk management, it may hamper the profitability of the assets held," says Mr. Kim.

Mr. Kim believes that a cautious approach should be adopted across Korea, which has ambitions to become an international financial hub following the Capital Markets Consolidation Act of 2009.

"In order to become a financial center, Korea needs to develop products and services that can satisfy the various needs of customers," says Mr. Kim. Based on his experience at Kookmin Bank, appropriate risk management is essential for supporting such growth.

"Adaptiv 360 has scaled to support the growth of our business over the past 10 years, and we continue to rely upon it as we move into new markets," Mr. Kim adds.

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