Investment Opportunity

April 2020

Company Purpose

We believe that connecting financial institutions together digitally is critical to the proactive management of **Operational Risk** and that this technology network creates a scalable, defensible and profitable business

"The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events."
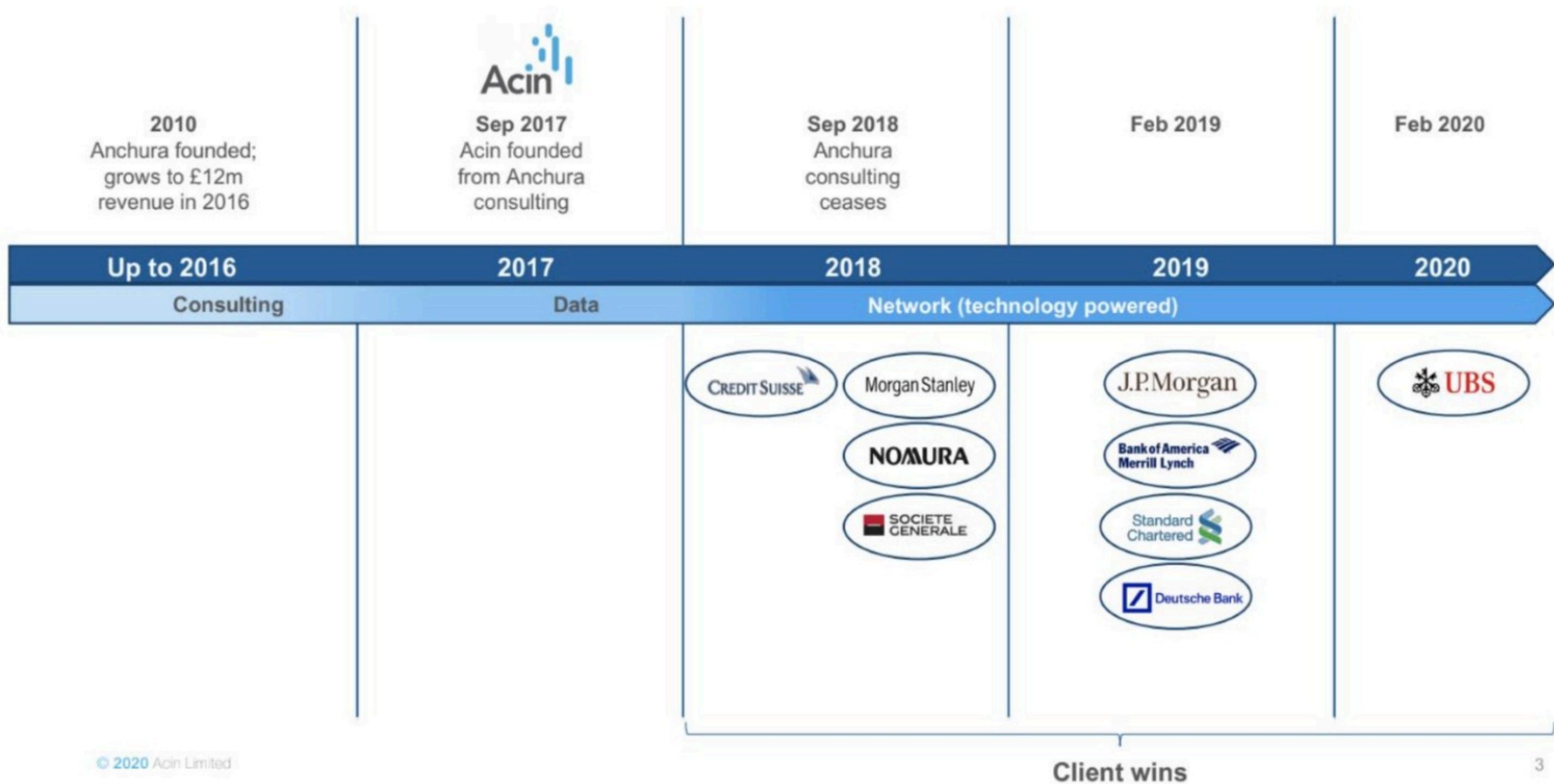The Basel Committee on Banking Supervision definition of Operational Risk (also known as non-financial risk)

"I have seen Operational Risk rise in significance. I've always wondered what it would take to turn it into an engineering discipline – Acin answers my question."

Cris Conde (Former President and CEO, SunGard)

Evolution

Acin has Transitioned from an Operational Risk Consultancy to a SaaS and Data Subscription Network Serving Tier 1 Financial Institutions

2010
Anchura founded; grows to £12m revenue in 2016

Sep 2017
Acin founded from Anchura consulting

Sep 2018
Anchura consulting ceases

Feb 2019

Feb 2020

Up to 2016	2017	2018	2019	2020
Consulting	Data	Network (technology powered)		

2018 Client wins: CREDIT SUISSE, Morgan Stanley, NOMURA, SOCIETE GENERALE

2019 Client wins: J.P. Morgan, Bank of America Merrill Lynch, Standard Chartered, Deutsche Bank

2020: UBS

Client wins

Operational Risk Definitions

Key Focus of the Basel Committee on Banking Supervision

Defined by Basel II

Definition of Operational Risk

"The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" – Basel Committee
Sometimes known as "non-financial risk"

Classification of Operational Risks

- Internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical asset
- Business disruption and system failures
- Execution, delivery and process management

Banking Business Lines

Corporate Finance	Sales and Trading	Retail Banking	Commercial Banking
Payments and Settlement	Agency Services	Asset Management	Retail Brokerage

Plus interdealer brokers, venues, exchanges, clearing houses, insurance

Defined by FCA

SM&CR

Senior Managers and Certification Regime – an FCA regulation
Applies to UK banking sector and insurers; intended to reduce financial service consumer harm and strengthen market integrity by making individuals accountable for their conduct and competence

Acin Code

Each control instance utilises a unique identifier, the Advanced Control identification Number (ACIN) code which enables the mapping of risks and controls and drives the network interoperability – it is effectively the 'barcode for risk & controls' and this unique code drives the network standardisation and analytics

Operational Risk – The Problem

A Complex, Opaque Area Which is Costly for Organisations

🔍	**Regulatory focus**	Remains a focus area and SM&CR creates personal liability for senior managers
	Opaque picture	Being in control cannot be proactively demonstrated, challenged, objectively measured and reported
	Organisational challenges	Organisations are continuously re-inventing the wheel and not leveraging collective industry knowledge
	Complexity	Up to 100,000 risks and controls per Financial Institution This risk and control data is itself not in control
⚠	**Manual processes**	Non-standardised, Excel-based, no data lineage. Risk and Control Self-Assessment (RCSA) inefficient today
❓	**No context**	Standalone assessments – duplicative work with no standardisation or benchmarking
🔧	**Not a strategic tool**	Controls data as an asset (e.g. reference, thematic, rating, incidents, losses) cannot be tagged and used as a tool

Getting it wrong is costly...

$150bn p.a. gross losses
ORX Banking Loss Report, 2018

$376bn in fines since 2012
AFME, Apr 2018

$26bn annual regulatory costs
AFME, Apr 2018

$411bn OpRisk capital top 30 banks
Sands, Liao, Ma (2016)

... but banks do keep getting it wrong

Operational Risk Challenges

Regulators Still Remain Very Focused on Risks and Controls

"firms were less able to demonstrate that senior management had clear sight and control of the conduct risks presented by the front office in terms of conflicts of interest or more serious issues around market abuse, such as a rogue trader, or potential market manipulation"

FCA, Sep 2015

FCA FINANCIAL CONDUCT AUTHORITY | BANK OF ENGLAND PRUDENTIAL REGULATION AUTHORITY | EUROPEAN CENTRAL BANK | esma European Securities and Markets Authority | UNITED STATES FEDERAL RESERVE SYSTEM

Europe Fines 5 Banks $1.2 Billion for Their Roles in Foreign Exchange Cartels

Traders at Barclays, Citigroup, JPMorgan Chase, Mitsubishi UFJ Financial Group and the Royal Bank of Scotland engaged in anti-competitive behavior, the European Commission found.

The Royal Bank of Scotland
RBS
The Royal Bank of Scotland

May 2019

Markets
HSBC Warned Twice by Bank of England on Conduct Risk Control

Nov 2019

Morgan Stanley dismisses traders linked to concealment of multimillion-dollar loss: Bloomberg

Nov 2019

Former JPMorgan Trader Convicted of Price Fixing in FX Market

Akshay Aiyer was a former Executive Director at JPMorgan.

Nov 2019

UK regulator warns Deutsche over repeated compliance failings

Repeated systems and controls failings risk delaying post-Brexit reauthorisation

Deutsche Bank

Mar 2020

"What proactive steps do you take as a firm to identify the conduct risks inherent within your business?"

"What support does the firm put in place to enable those who work for it to improve the conduct of their business or function?"

"Progress and challenges" – 5 Conduct Questions, Industry Feedback for 2018/19, FCA, May 2019

The Acin Terminal

The Acin Terminal has been designed to help our clients solve some of the many non-financial risk challenges that they face

Data Management

Structure and manage your data to unlock the power of the Acin Network and stay aligned to the latest industry thinking.
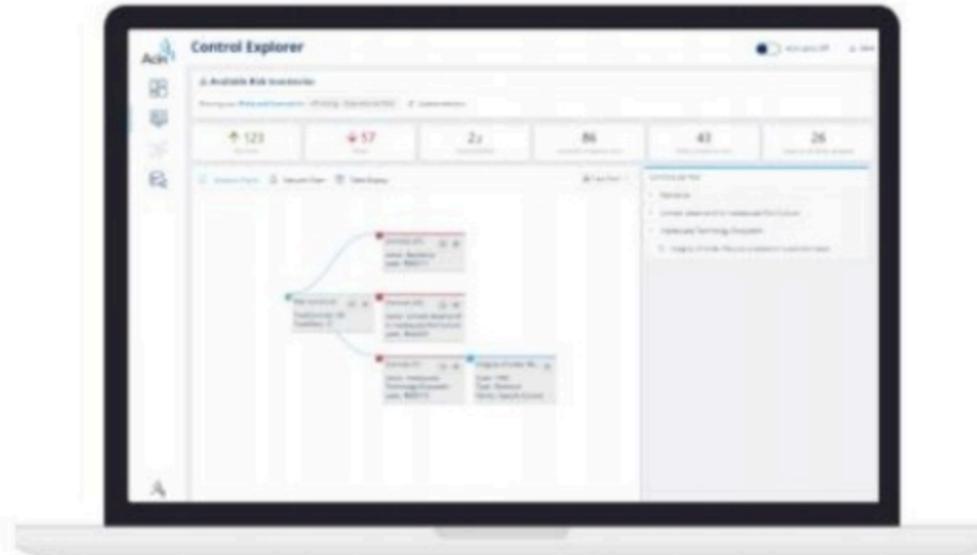
Data Architecture

Align your risks and controls data around a standardized architecture to facilitate cross-industry comparison and interpretation.

Risk & Control Explorer

Interrogate and visualize your non-financial risk and control landscape to understand relationships and alignment to the rest of the network.

Risk Intelligence

Analyse how prepared your business is to respond to industry incidents, common risk scenarios, regulatory changes and other events.

Benchmarks & Analytics

Visually compare how you perform against your competitors and identify the non-financial risk and controls gaps across the industry.
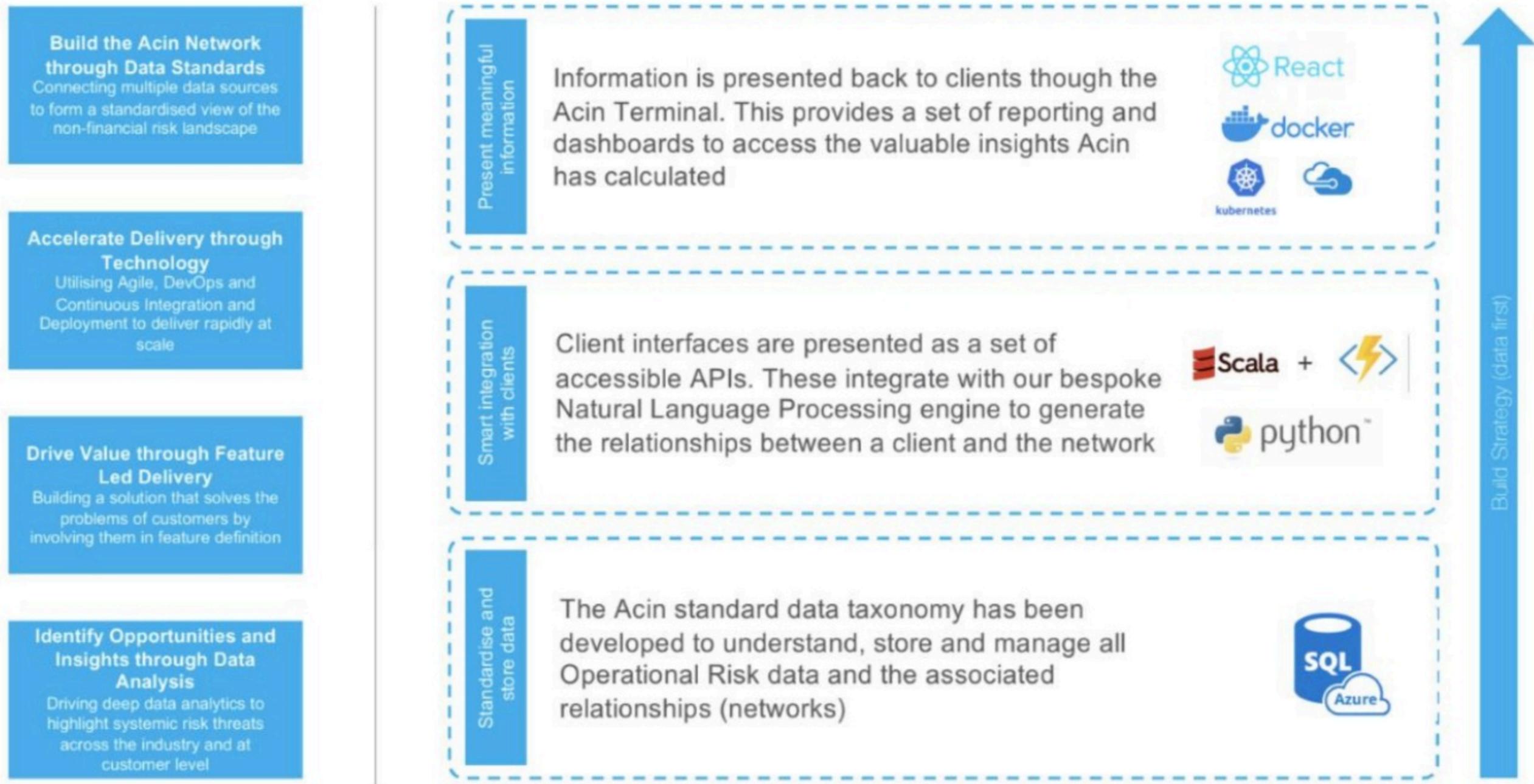
Risks and Controls Content

Identify and adopt market leading risks and controls curated by industry experts and validated by members of the Acin network.

The Acin Platform

Data-First Build Strategy Delivers an Easy-to-Use Platform for Use Across Organisations

Build the Acin Network through Data Standards
Connecting multiple data sources to form a standardised view of the non-financial risk landscape

Accelerate Delivery through Technology
Utilising Agile, DevOps and Continuous Integration and Deployment to deliver rapidly at scale

Drive Value through Feature Led Delivery
Building a solution that solves the problems of customers by involving them in feature definition

Identify Opportunities and Insights through Data Analysis
Driving deep data analytics to highlight systemic risk threats across the industry and at customer level

Present meaningful information

Information is presented back to clients though the Acin Terminal. This provides a set of reporting and dashboards to access the valuable insights Acin has calculated

React
docker
kubernetes

Smart integration with clients

Client interfaces are presented as a set of accessible APIs. These integrate with our bespoke Natural Language Processing engine to generate the relationships between a client and the network

Scala + python

Standardise and store data

The Acin standard data taxonomy has been developed to understand, store and manage all Operational Risk data and the associated relationships (networks)

SQL Azure

Build Strategy (data first)

Benefits to Clients

Transformation of the Risk and Control Environment

More effective control environment
✓ Lowers the number of incidents and therefore lowers fines and losses

More efficient control environment
✓ Delivers operational cost savings

Systematically maintaining control and creating transparency
✓ Produces transparency, operational cost savings and drives effectiveness and efficiency

Demonstration of control to regulators
✓ Quantitative evidence and real-time independent peer benchmarking

Peer collaboration and network effect
✓ Context and ability to use as strategic tool
✓ Real-time risk intelligence and assurance
✓ Risk identification ensures no unknown unknowns that are known to peers/industry

Client Case Studies

The Acin Solution Identifies Significant Risk/Control Deficiencies – Allowing for Reinforcement Action and Improved Efficiency and Reporting

	% Missing vs. Acin Standard	Gaps Identified	Top 3 Areas of Risk	Key Findings	No. of Acins
Bank 1	32%	• 24 Key controls missing • 26 Key risks missing • 90 Metrics missing	• Unauthorized trading • Third party • Cyber risk	• Significant gaps to the Acin database with missing risks and controls • KPIs for controls missing across the board	45
Bank 2	55%	• 8 Key controls missing • 15 Key risks missing • 134 Metrics missing	• Unauthorized trading • Infrastructure • Product defect	• 55% of duplicates, in excess of 400 controls • 14% controls without description • Missing core attributes incl. metrics, control family, owner	163
Bank 3	48%	• 11 Key controls missing • 7 Key risks missing • 134 Metrics missing	• Rogue Algorithms • Infrastructure • Risk culture	• Absence of control metrics • Control description often weak	333

The Acin Solution

Acin is a Technology Solution to Identify, Manage, Benchmark and Analyse Operational Risk

Data

- All relevant data is recorded in a structured manner, enabling strategic insights to be drawn

- Platform reduces number of manual processes required to identify and track risks

- Acin sets data protocols and standards in consultation with participating Financial Institutions
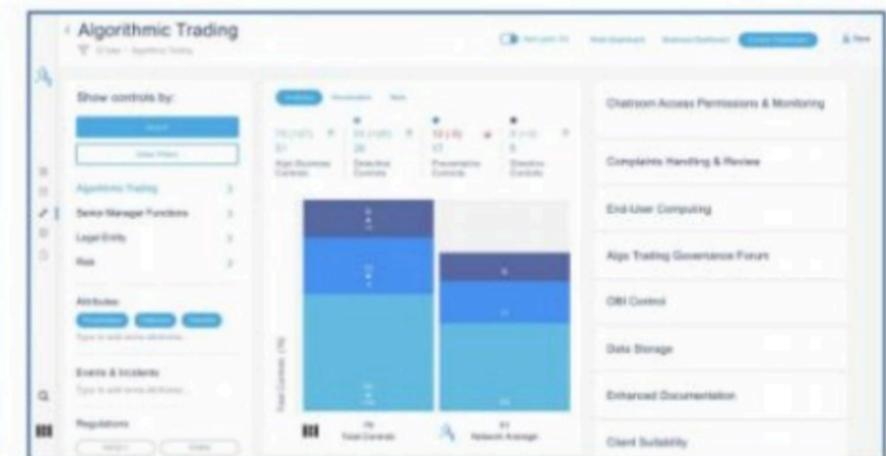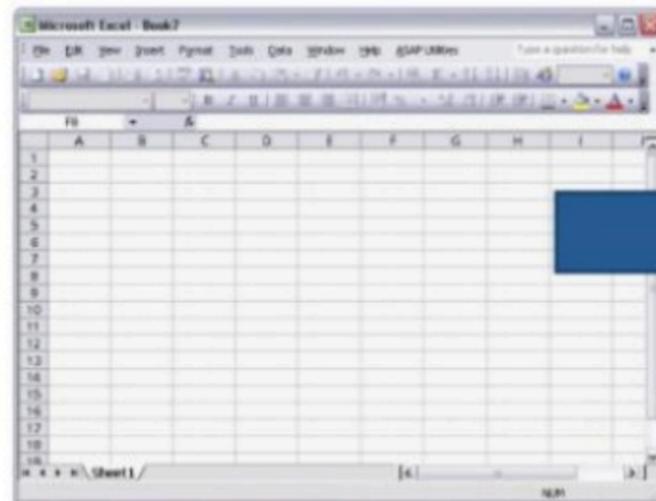
Network

- Risk intelligence is shared between client firms in network i.e. a risk known to one member of network is known to all

- Acin serves as the network hub and controller

Benchmarking

- Acin benchmarks clients' risks and controls against peers, scoring their effectiveness and efficiency

- Report is provided alongside clear steps to address weaknesses found

Risk Intelligence

Regular risk intelligence reports are produced by the Acin team using network data

Colocation/WFH (Covid-19)

- Supervision & Surveillance
- Data-driven Networked-assurance on a specific **Risk Scenario**

Vendor / 3rd Party Controls

- SEBI incident
- Data-driven analysis of a **new risk**

Preventative Control Analysis

- eTrading control automation
- Data-driven Network-assurance on a specific **Regulator Enquiry**

Recent Examples

Resiliency & Disorderly Trading

- eTrading businesses
- Data-driven Networked-assurance on a specific **Risk Scenario**

Front-Office Supervision

- eTrading & high touch businesses
- Data-driven Networked-assurance on a specific **Theme**, incl. mapping to FMSB

MS TRL Marking Incident

- eTrading businesses
- Data-driven Networked-assurance on an **Incident**

Data Growth Drives Control Optimisation

Ability to Drive Entire Sector to an Optimised, Standardised Environment

Scaling in Unique Control Identifiers...

- Acin dataset is growing exponentially as the network of financial institutions expands

- Richer dataset rapidly becomes a more valuable source of insights and analytics

Jan 2020
35,000

Oct 2019
5,900

Jul 2019
5,200

Apr 2019
2,200

Oct 2018
1,200

Jan 2019
1,400
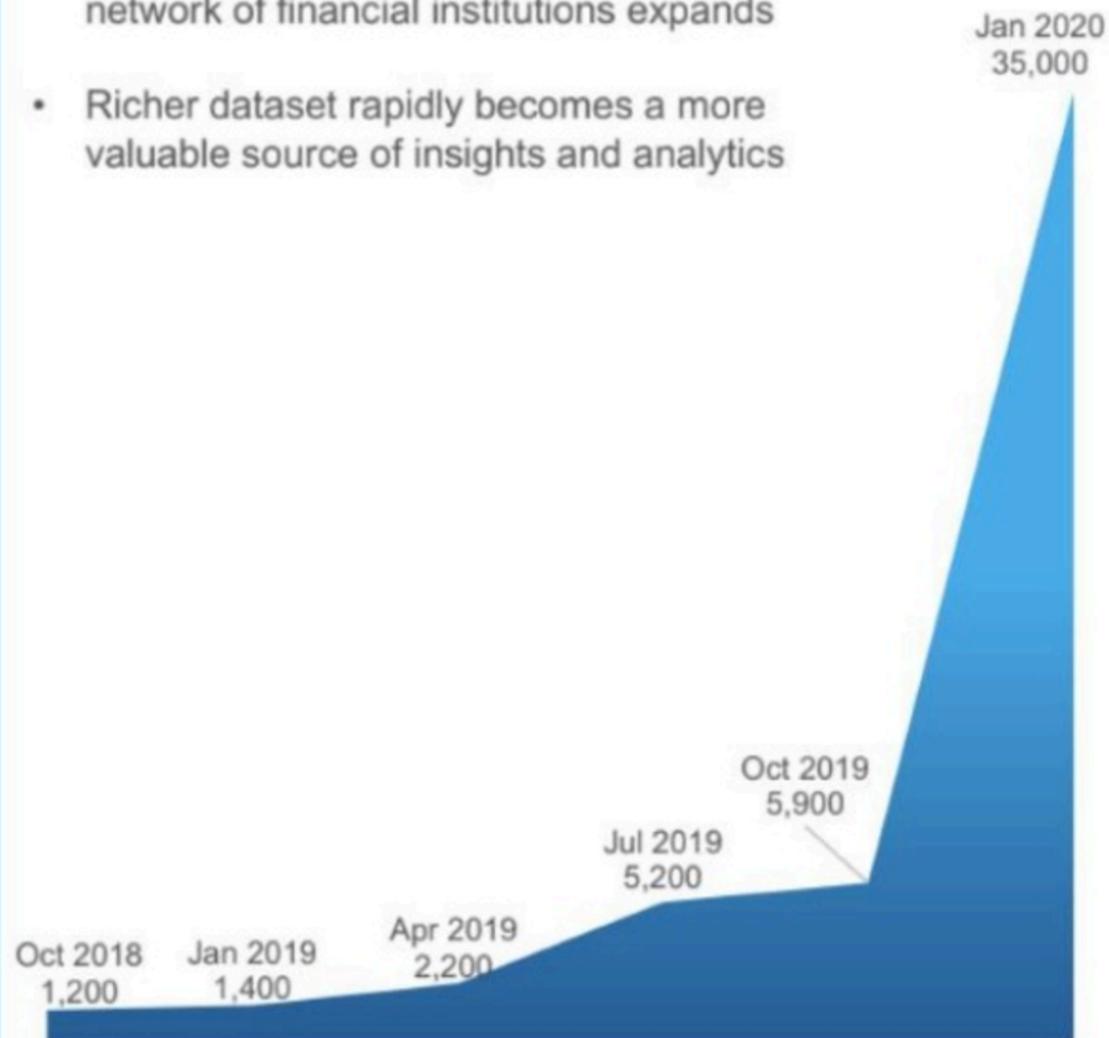
... Drives Network Insights for Clients

- Acin is enabling clients to optimise their risk and controls individually

- This network improves the whole industry

Standardised and Enriched

Maturing

Optimised

Bank 1

Bank 5

Bank 4

Gaps and Deficiencies

Simplified and Complete

Bank 2

Data Mean

Bank 3

Emerging

Inconsistent