

'The aftermath of the 2008-9 financial crisis has led to the most challenging economic environment in over seventy years. Many financial services companies have reconsidered their approach to financial and market risk, while having to give greater consideration to the social and economic impact of potential operational failures. La Française AM (formerly UFG-LFP) took action before the crisis.'

La Française AM Case Study

La Française AM

La Française AM, a multi-specialist and independent asset management firm, is a forward-thinking organisation that has risen to the challenges of contemporary operational risk management and compliance by following a control-centric approach. La Française AM is a subsidiary of Groupe Crédit Mutuel Nord Europe and has more than €32 Billion under management. It operates and has major expertise in the areas of:

- Management of traditional financial assets (mutual funds);
- Real Estate Management;
- Alternative Asset Management (Long Only & FoHFs Management); and
- Private Equity (venture capital funds, innovation funds).

La Française AM is an innovative creator of products including Fund of Hedge Funds (FoHF) and are leaders and experts in the development and management of Real Estate Investment Trusts (SCPI – OCPI). Proud of its specialisation in the development and application of systems within the organisation, La Française AM selects third-party solutions that fit their rigorous requirements, independently of the Group holding company.

Their Challenge

La Française AM has two levels of risk:

- 1 - Market Risk
- 2 - Operational Risk and Internal Control

To ensure full compliance with Basel II standards it was necessary to develop a comprehensive Internal Control Plan (ICP). As part of the initial risk assessment, La Française AM identified more than 60 different types of risk and created 150 control checklists requiring 300 – 800 controls and sub-control points.

La Française AM Approach

Risk strategy is driven and directed by Dominique Dupont, La Française AM's visionary Director of Compliance, Internal Control & Operational Risk. Ms. Dupont, who comes from a background in financial risk, joined La Française AM ten years ago and has been responsible for risk strategy since 2002. She heads a team of nine people who ensure:

- Compliance with regulatory standards;
- Monitoring and stress management of funds under management;
- Implementation of action plans for the regular monitoring of Level 1 & Level 2 controls;
- Management of Operational Risk across the Group's five business units.

Dominique Dupont is empowered by the Chief Executive to implement a cohesive risk strategy across the five business units. *"We take an Anglo-Saxon approach to risk mitigation because it is imperative that we can quantify and measure different levels and types of risk for each of the business units, then aggregate and consolidate our findings to mitigate the impact on the group as a whole", says Ms. Dupont. "We view our risk strategy as a "spinal cord" running throughout the organisation, monitoring every aspect of financial and operational risk and managing controls automation and execution".*

The BlueSuite Solution

Recommended by Weave, a specialist financial consultancy based in Paris, Oxial's BlueSuite enterprise risk management solution was selected by Ms. Dupont because it fulfilled La Française AM's requirement for a controls-centric approach to risk mitigation. *"We also wanted a totally integrated solution (BlueRisk and BlueControl) capable of implementing our operational risk and control methodology. The product had to be easily adaptable to our organisation, support changes to our organisational structure and provide a global view of controls, with automated alerts. BlueSuite also includes advanced modelling, simple to use risk maps, an incident database and all the functionality we need in a robust, quality tool built upon high performance technology" said Ms. Dupont.*

As part of the pre-production phase, Oxial implementation services worked closely with the La Française AM team and provided project management (internal and external), detailed business analysis and reporting, product functions setup and customisation, reports customisation, system integration, product installation (test and live environment), validation activities and end user training for La Française AM functionality. *"This wasn't without its challenges", said Ms. Dupont. "But we like to work with a company that listens to us and has shared objectives. We had some early teething problems, but Oxial provided good operational support and were able to ensure a thorough understanding of our implementation needs".*

Due to the scope and scale of the risk strategy, Phase 1 saw the implementation of Level 2 controls; setup of the incident database; production of operational risk models; and monitoring of operating processes. Phase 2 will see the implementation of Level 1 controls; Risk mapping and the first revision of the risk assessment; Modelling the Net Risk calculation after stabilising the internal organisation; Mapping conflicts of interest which are currently in Excel; and the setup of fault alerts, for time saving.

"Our approach serves not only to implement a rigorous controls driven methodology, but also to allow the team to develop a proactive environment and promote an enterprise risk culture within the organisation" said Ms. Dupont.

The Results

La Française AM's strategy required a global view of controls, not only to automate and monitor control activity, but with a view to controlling the controls (control checklist). This aggregated and consolidated viewpoint provides very accurate results and facilitates the preparation of year-end reports. Before moving to BlueSuite, La Française AM managed internal controls using Microsoft Word documents.

With increased scrutiny from regulators, investors, stakeholders and ratings agencies, and with an urgent need to cut costs and maintain a competitive advantage, forward thinking firms have developed innovative, powerful and wide-reaching strategies to manage their risk exposure. Crucial to the success of these initiatives and key to avoid repeating the mistakes that were central to many of the losses associated with the financial crisis, is the need to focus upon the quality and non-proliferation of controls, to implement a proactive and unconstrained controls policy, nurture individual responsibility, integrate operational risk activities and allow operational risk to play a part in business growth.

"As a multi-faceted business, we are always seeking ways to maintain a competitive advantage. We believe that an effective risk strategy integrates operational risk activities and allows operational risk to play a part in business growth. BlueSuite allows us to improve Alpha, which is the quality indicator for the business group". **Dominique Dupont.**

"Further, we are able to earn the respect of our clients and prospects, and to demonstrate that we are a socially responsible organisation. The results we are able to achieve using BlueSuite have also helped to improve our FITCH rating - 30% of which is weighted by risk management". **Dominique Dupont.**

About:

La Française AM is a multi-specialist and independent asset management firm. La Française AM offers innovative investment solutions tailored specifically to institutional investor needs:

- Long Only & FoHF Management (Listed)
- Real Estate Management (Unlisted)

La Française AM currently manages over 32 billion Euros in assets, which is small enough to remain creative and reactive, and large enough to be robust and well equipped to effectively face head on today's challenges. The group aspires to "give new meaning to finance" through its commitment to understanding overall trends and their impact on both the economy and financial markets and through its capacity to create solutions, truly adapted to investor requirements.

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Oxial is a Swiss company established in 2005 and the creators of BlueSuite - a comprehensive Operational Risk Management tool that delivers significant benefits in risk mitigation through a controls centric approach and can substantially reduce the costs of Risk Management, Control and Audit. With offices in the United Kingdom, Switzerland and France, Oxial meets the needs of more than 30 clients in Europe, including prestigious client references in Financial Services, Industrial and Chemical, Technology, Education and other sectors.

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