

CUSTOMER SUCCESS STORY

Aktif Bank enhances competitive advantage with greater improvement of Internal Control System



CUSTOMER PROFILE

Industry : Financial Services
Company : Aktif Yatırım Bankası A.Ş.
Profit: 381 mio TRL (72 mio USD) by 2018 FY
Employees : 663

BUSINESS

Turkey’s largest investment bank, Aktif Bank is also Turkey’s largest Financial Technology Platform, driven by the investments it has made and the alternative business models it has implemented since the day of its establishment.

CHALLENGE

As Aktif Bank Internal Systems is playing a crucial role in compliance and assurance that increase competitive advantage for Aktif Bank in the market, it must be able to manage its Internal Control System effectively.

SOLUTION

GOLDENHORN Enterprise Governance Risk Compliance (ONEGRC) contains Internal Control Knowledge System. The solution automates reporting, simplifies resource allocation and helps to ensure compliance.

BENEFIT

Aktif Bank Internal Systems has real-time view of its internal control testing projects, resources, findings and actions with reports and dashboards. With GOLDENHORN ONEGRC ICM, Aktif Bank Internal systems has the capability to improve maturity and increase efficiency.

Business

Aktif Bank An Ecosystem of Financial Technologies

Turkey's largest investment bank, Aktif Bank is also Turkey's largest Financial Technology Platform, driven by the investments it has made and the alternative business models it has implemented since the day of its establishment. Building its corporate culture on new-generation finance and technology entrepreneurship, the Bank achieves fast, flexible and cost-efficient results with its unique business model. Together with its subsidiaries and business partners, today Aktif Bank serves 8 million customers across more than 10 lines of business, meeting their daily needs in various areas including loans, insurance, transportation, card services, and payment systems. With products offered via physical and digital channels, the Bank acts as the business partner and the competitor of domestic and global financial technology companies.

With 10 branches across Turkey, Aktif Bank provides corporate banking, investment banking and private banking services that require predominantly face-to-face communications. In retail banking, which demands a large distribution network, Aktif Bank employs effective collaborations, innovative business models and investments in digital channels to hold 14.5% of the Turkey's retail banking customer market with 663 employees.



"The internal control system we manage on behalf of Aktif Bank are key to its day-to-day operations and competitive advantage."

Volkan Kolege

Manager, Internal Control Management at Aktif Bank Internal Systems

Challenge

Improving the Internal Control Management System

With total responsibility for Aktif Bank's Internal Control System, Aktif Bank Internal Systems must ensure all its controls are managed and tested effectively to safeguard the development of the bank's business.

The Aktif Bank Internal Systems have been established in accordance with the Banking Law No. 5411 to determine, measure, monitor and control potential exposure of the Bank as a result of its strategy and activities, and it is organized in a manner that is in accord with the scope and nature of the Bank's activities, changing conditions and consolidated partners.

Aktif Bank's Internal Systems the organization is made up of the Bank's Internal Audit, Internal Control and Compliance and Risk Management Departments that together work effectively in response to changing conditions and in harmony with the scope and structure of the various business processes to safely monitor and manage risks that the Bank may be exposed to.

Volkan Kolege, Manager, Internal Control Management at Aktif Bank Internal Systems, comments, *"The internal control system we manage on behalf of Aktif Bank are key to its day-to-day operations and competitive advantage. I think that we are the enforcer of Internal Controls of the district. We have to ensure that our Internal Controls are effective. We are the ones that effect the Internal Controls that we have in place to make sure that they are sufficient or not. Finally, we make sure that Internal Controls are in sync. That's our role."*



Challenge

Specific Issues and Challenges

In Internal Control Management, Aktif Bank Internal Systems' are facing specific issues and challenges:

- › **Providing** an integrated strategy and view of financial and operational controls across the organization.
- › **Increasing** confidence in risk coverage and the complexity of interconnectedness of risk and controls
- › **Capturing** business changes with updated and changing controls
- › **Combining** finance and operational control teams and revamping processes
- › **Focusing** on key controls that could cause the organization to overlook other controls
- › **Managing** the human factor in controls management
- › **Expanding** regulatory requirements for internal control management such as BRSA, GDPR pressures
- › **Addressing** a lack of resources while being tasked with more internal control responsibilities across operational controls
- › **Keeping** controls aligned with business processes and a changing environment
- › **Implementing** a system/technology to manage ALL controls across the organization
- › **Integrating** controls into daily workflow particularly when transitions occur with staff and turnover

Controls are critical throughout business strategies, operations, and processes. Internal Control Management has become a critical foundation for enterprise GRC. The correct controls that are operationally effective are the linchpin to assure that the organization can reliably achieve objectives while addressing uncertainty and acting with integrity. As organizations mature their approach to Internal Control Management they are seeing more intersections with risk, compliance, and audit processes which require a more thorough strategy for managing controls in the context of the organization.



Solution

Comprehensive and consilient Internal Control Management System

Aktif Bank Internal Systems needed a complete solution not only for fulfilling its functional requirements but also user-friendly, highly configurable and easy to integrate.

The company spent 18 months evaluating a range of governance risk compliance solutions. During this time, Aktif Bank Internal Systems attended workshops, visited reference sites and issued a complex request for proposal (RFP) with more than 100 questions. The company eventually selected GOLDENHORN ONEGRC ICM in September 2017.

TAC was the prime contractor for consultancy and implementation services of the project. After analysis and design phases, GOLDENHORN workshops were delivered to more than 50 people by TAC. After that, key members of the Internal Systems attended functional and technical boot camps, as Kolege explains, *"The TAC training was extensive and provided us with an in-depth understanding of the solution and how we could configure it to meet our needs."*

To entirely centralise its internal control, internal control testing and finding data, Aktif Bank Internal Systems needed to be able to access all information needed in GOLDENHORN ONEGRC ICM. The company partnered with governance, risk and compliance specialists TAC to accomplish this task. *"After, TAC integrated and consolidated Internal Systems data, we started to prepare draft Management's Assertion automatically and then complete it in two weeks. Before that it had taken more than eight weeks."* comments Kolege.



Solution

“After started to run our processes on GODELNEHORN, by analysing the time and efforts allocated to internal control activities at each stage, we have been able to identify recurring bottlenecks and provide effectiveness and efficiency.”

Volkan Kolege

Manager, Internal Control Management at Aktif Bank Internal Systems

Improving governance with best practices

GOLDENHORN ONEGRC ICM is now used by 5 Internal Systems Managers, 20 Internal System Experts and 400 company employees at Aktif Bank on a daily basis. The solution contains data Internal Control Management. Using GOLDENHORN ONEGRC ICM, Aktif Bank Internal Systems has been able to implement greater controls to improve governance. For example, the TAC solution is configured to align processes with COSO best-practice framework by the CONIG experts of TAC and Aktif Bank Internal Systems.

As part of its governance efforts, Aktif Bank Internal Systems has adopted a cascade stage system to track deliverables and automate Internal Control Management processes. These stages include:

- › Annual Internal Control Management Plan
- › Periodic Internal Control Test Projects
- › Periodic Internal Control Tests by Verification Validation Models
- › Finding Management
- › Finding Review and Action Request Management

Kolege comments, *“After started to run our processes on GODELNEHORN, by analysing the time and efforts allocated to internal control activities at each stage, we have been able to identify recurring bottlenecks and provide effectiveness and efficiency.”*

Risk management is also simplified using GOLDENHORN ONEGRC ICM. *“By the guidance of TAC expert consultants, we have defined a set of risk categories and risk assessment model in alignment with our internal control management methodology so we can easily spot potential problems and make internal control assurance decisions based on accurate risk analysis”* explains Kolege.

Streamlined reporting and resource allocation

As well as standardising and streamlining processes, GOLDENHORN ONEGRC ICM increases efficiency through its collaboration and integration features. For example, the solution is integrated with BI Reporting Tools to automatically produce detailed reports that include:

- › An annual Internal Control Management Plan
- › Internal Control Testing Reports
- › Management’s Assertion
- › Internal Control Allocation Plan

Kolege comments, *“We wanted to develop a focus on business performance, not just the performance of controls. All the steps we have been able to take to ensure our GRC program has a strategic focus.”*



Benefit

Increased conformance and greater assurance on Aktif Bank business processes

By increasing the maturity of its internal control management processes with GOLDENHORN ONEGRC ICM, Aktif Bank Internal Systems has been able to vastly increase efficiency. Time savings achieved since using the solution include:

- Internal control testing reporting reduced from a biweek to few days.
- Charge-back reporting reduced from two weeks to three hours
- Resource capacity reporting reduced from several weeks to just minutes.

“Using GOLDENHORN ONEGRC ICM we are able to ensure that internal control testing projects are managed in accordance with our governance framework while reducing the workload for internal controllers,” comments Kolege.

Fulfilment of Regulative Requirements

Banking regulation in Turkey

This Banking Regulation guide provides a high level overview of the governance and supervision of banks, including legislation, regulatory bodies and the role of international standards, licensing, the rules on liquidity, foreign investment requirements, liquidation regimes and recent trends in the regulation of banks.

What is the legal framework for banking regulation?

The main legislation in relation to the regulatory and supervisory framework for financial institutions in Turkey is the:

- ▶ Banking Law No. 5411 (Banking Law).
- ▶ Commercial Code No. 6102.
- ▶ Code of Obligations No. 6098.
- ▶ Law on the Central Bank of Turkey No. 1211 (Central Bank Law).
- ▶ Capital Markets Law No. 6362.
- ▶ Law on the Protection of the Value of the Turkish Currency No. 1567.
- ▶ Applicable tax laws.
- ▶ Secondary legislation related to such laws.

What are the regulatory authorities for banking regulation in your jurisdiction? What is the role of the central bank in banking regulation?

The Banking Regulation and Supervision Agency (BRSA) is the lead bank regulator. In particular, it:

Performs the regulatory and supervisory duties and rights assigned to it by the Banking Law and other

applicable legislation. However, under the Decree Law on the Organisation and Functions of the Ministry of the European Union published on 17 August 2011, the minister is entitled to supervise the operations and transactions of related and relevant agencies. Capital Markets Board (CMB), for transactions falling within the scope of capital market licences. It regulates public companies, issuers of capital market instruments, exchanges, investment institutions, and broker companies.

Undersecretariat of the Treasury (Treasury). It regulates public financing, global economic relations, exchange regimes, and private insurance companies.

Saving Deposit and Insurance Fund (SDIF). This public legal entity insures the saving deposits and participation funds of natural persons in credit institutions. If a bank becomes insolvent or unable to operate with the financial strength required by the applicable legislation, the SDIF takes over the bank, reinforces its financial situation with extraordinary measures and restructures it until all its debts are paid and it is liquidated.

The Central Bank of Turkey (Central Bank)'s powers and duties are set out in the Central Bank Law. The primary objective of the Central Bank is to achieve and maintain price stability and foreign exchange rate stability. It independently determines its monetary policy and monetary instruments to achieve and maintain these objectives.

The Financial Crimes Investigation Board has authority to investigate financial crimes.



“GOLDENHORN ONEGRC ICM enables us to deliver better and quicker internal control system assurance and information to Aktif Bank, which in turn means Aktif Bank can offer rapid and more efficient and ensured services and products to its customers”

Volkan Kolege

Manager, Internal Control Management at Aktif Bank Internal Systems

Benefit

Achievements & Awards increase the Reputation

The Banker provides economic and financial intelligence for the world's financial sector and has built a reputation for objective and incisive reporting. The Banker has been the trusted source of banking information since 1926. The Banker has navigated its way through over 90 years of banking coverage from the Wall Street Crash of 1929 to the financial crisis of 2008 with the same reputation for accuracy, authority and integrity. The Banker strives to stimulate and inform, offering an unparalleled outlook with a wide range of news, features, analysis and interviews, and in-depth coverage of all the key issues facing the financial sector.

“It is a great honor for us to win The Banker Project of the Year Award in Compliance. When you analyze the nominees and past winners, it can be seen and understood the value of the award from our perspective.” ”

Volkan Kolege

Manager, Internal Control Management at Aktif Bank Internal Systems



Artificial intelligence was the hot topic in The Banker's 2017 Technology Projects of the Year Awards, with other areas such as blockchain and mobile remaining highly contested. Each category, however, shows how innovative the financial sector has become, helped along the way by its engagement with the fintech community.

Top 1000 World Banks 2019

Compliance

Winner: RISE (Risk and Internal Systems Environment)

Parties involved: Aktif Yatırım Bankası, TAC Bilisim Hizmetleri

The cost and burdensome nature of staying compliant is the bane of the financial services industry, particularly following the raft of regulations after the global crisis. Universally, banks are looking for ways to cut compliance costs, while making sure they do not fall on the wrong side of the regulator.

Turkish investment bank Aktif Bank took home the compliance award in 2017 for its innovative approach of bringing together governance, risk management and compliance (GRC) and business process management (BPM) onto a single platform.

“When searching for a system to monitor GRC and BPM processes on a single platform, we found a lack of products on the market. Of the existing systems, the structures and features did not live up to our expectations,” says Hakan Özat, managing director of internal systems group at Aktif Bank. Therefore, the bank – with support from local consultancy and technology company TAC Bilisim Hizmetleri – built a tailor-made solution called Risk and Internal Systems Environment (RISE).

RISE effectively digitised the bank's audit, control and GRC processes, allowing it to monitor all regulations electronically. Furthermore, recently issued international and domestic regulations are now associated clause by clause as metadata with the processes on the system, retained in a library and transformed into data that may be used in GRC management.

Previously, the bank had manually managed audit, control and GRC processes, working mainly through e-mail correspondence, personal conversations and Microsoft Word/Excel files. This made reporting and monitoring activities onerous. In addition, there was no standard approach, which led to duplication of work in areas of inter-related processes.

The availability of the entire compliance-related inventory as metadata on the system has delivered substantial operational efficiencies. For example, previously the audit team spent a few days searching through the regulations and procedures before starting the audit process; now this process takes just a few hours.

Additionally, the bank achieves an effective compliance assurance since the business units can digitally access all statutory regulations and the bank's procedures (clause by clause), as well as all regulatory authorities' and compliance department's opinions in relation to a respective process.

Aktif Bank believes that the framework, which has been tailor-made for the bank, will introduce an important innovation to the industry as all its requirements are satisfied rapidly thanks to the platform's flexible structure, considerably shortening the response time to any structural and/or functional regulatory changes.





TACAS

TACAS provides a range of consultancy services and software solutions in GRC and ITSM areas to its clients globally.

TACAS's IT Governance and Risk management advisory assists organisations in assessing their IT Maturity and IT risks and developing a practical IT governance framework covering the information life cycle, which includes business alignment, planning, implementation, operations, monitoring, and review. We also assist in the implementation of standards and performing analysis against various governance frameworks by using CONIG® reference framework.

ConsilienceX®

ConsilienceX is a governance methodology approach based on "Consilience," which is a concept coined in 1998 by E. O. Wilson. The aim behind **ConsilienceX** is developed and tested to reconcile the varying definitions, methodologies and purposes of the data collected on governance and management system best practices and standards by convergence and unification of the great realms of practicing, more specifically different cultures and stakeholders, through a web of cause-and-effect explanation.

CONIG®

CONIG (Consilient Information Governance) is a reference governance framework developed by TACAS addressing information and related technologies. **CONIG** is based on consilient models that are widely used for Information Technologies, Corporate Governance, as well as Business Governance. All of the underlying frameworks and best practices are widely accepted in the industry. While they might bring different perspectives and differ in nuances the common goal of all these frameworks and best practices is the assurance of provisioning of IT services, business services, and other enabler services.

GOLDENHORN®

TACAS's GOLDENHORN Software Suites is the modern way to build business applications. **GOLDENHORN** provides tools and technologies that businesses use to build engaging, agile business applications that include the modern capabilities that users demand, including collaboration, process automation, mobility and even cloud enablement. With our technologies, our customers can build and run modern applications that bring together employees, partners and customers on their infrastructure, a private cloud or even the public cloud.

GOLDENHORN BPM Software Suite

TACAS's GOLDENHORN BPM Software Suite is an intuitive BPM solution for professional BPMN process modeling and execution. Whether you want to create current-state documentation or target concepts, GOLDENHORN BPM Software Suite is your best choice for process modeling and workflow execution. By using innovative web technology, you can get started right away and include your colleagues in collaborative design.

GOLDENHORN DCM Software Suite

Deliver simple and powerful dynamic case driven workflow solutions.

In order to ensure the smoothness of the workflow for the organisation, and the desired satisfactory outcome of the client, a dynamic case management solution is needed. **GOLDENHORN DCM Software Suite** enables organisations looking to improve efficiency and reduce costs associated to these processes, to model, deploy and monitor key business processes in an agile manner, by optimizing both workload distribution and processing time.

GOLDENHORN GRC Software Suite

TACAS's GOLDENHORN GRC Software Suite can give the business and organisation a better understanding of the issues and the ability to make informed decisions that enable the resiliency to improve sustainability, performance, conformance, and maturity by enabling a consilient internal control system.

GOLDENHORN ITSM Software Suite

TACAS's GOLDENHORN ITSM Software Suite delivers modern, intelligent and consilient ITSM solutions that are fast, accurate, and cost effective. The GOLDENHORN ITSM Suite not only caters for customary ITSM processes. It can also be used in other service areas and so throughout the enterprise/organisation as a central tool for enterprise service management.

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