

# Risk quantification is at a critical crossroads.

## Traditional risk quantification

**Business risk exposure**  
**Stifling innovation**  
**Difficult to understand**

## Forward-looking risk quantification

**Managing tech risk**  
**Unleashing the power of technology**  
**Driving business value**



### Identifying potential risks



- Heavily manual review of processes
- Dependent on self-reporting or weak triggers

### Assessing risk



- Ad-hoc, reactive, not standardized
- Criteria and standards shifted depending on circumstances
- Assessment results and other data not centralized and reusable

### Managing and monitoring risk



- Disparate sources of assessment that do not build on each other
- Triggers based on control importance or uninformative key risk indicators (KRIs)
- Scope review is based on independent risk assessment

### Measuring risk



- Fixing a problem stems from an individual assessment
- Takes a control view and averages risk scores
- Risk modeling is limited to the system level

### Risk reporting



- Inherent and residual risk are plotted on heat map
- Difficult to compare operation and technology risk events
- Reports are based on materiality of incident

### Managing and monitoring risk

- Understands the cost of the control and right investment within risk tolerance
- Consolidates all forms of assessment to determine aggregate management effectiveness of controls
- Monitors metrics that inform the overall management effectiveness of controls or impact on risk

### Risk reporting

- Only residual risk to the organization at varying level of confidence/probability
- Operational and technology risk events denominated in financial loss
- Evolving view of what constitutes materiality



### Measuring risk

- Prioritizes across findings based on relative impact. Makes decisions at a finer level of detail
- Uses all available tech risk data and applies accepted statistical principles to express risk
- Accounts for the relationship between control, systems, threats, and business impact



### Assessing risk

- Expresses risk in business/financial terms
- Rationalize, prioritize, and enhance risk mitigation activities
- Identified sources that feed assessment of what can be automated

### Identifying potential risks



- Systematic identification through modeling environment
- Proactive assessment of emerging risks and threats

#### Learn more:

[advisory.kpmg.us/articles/2020/tech-risk-intelligence.html](https://advisory.kpmg.us/articles/2020/tech-risk-intelligence.html)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDP075845A-1B