Lender Briefing
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RiskOps:
A model for efficient operations and improved risk management for invoice finance lenders

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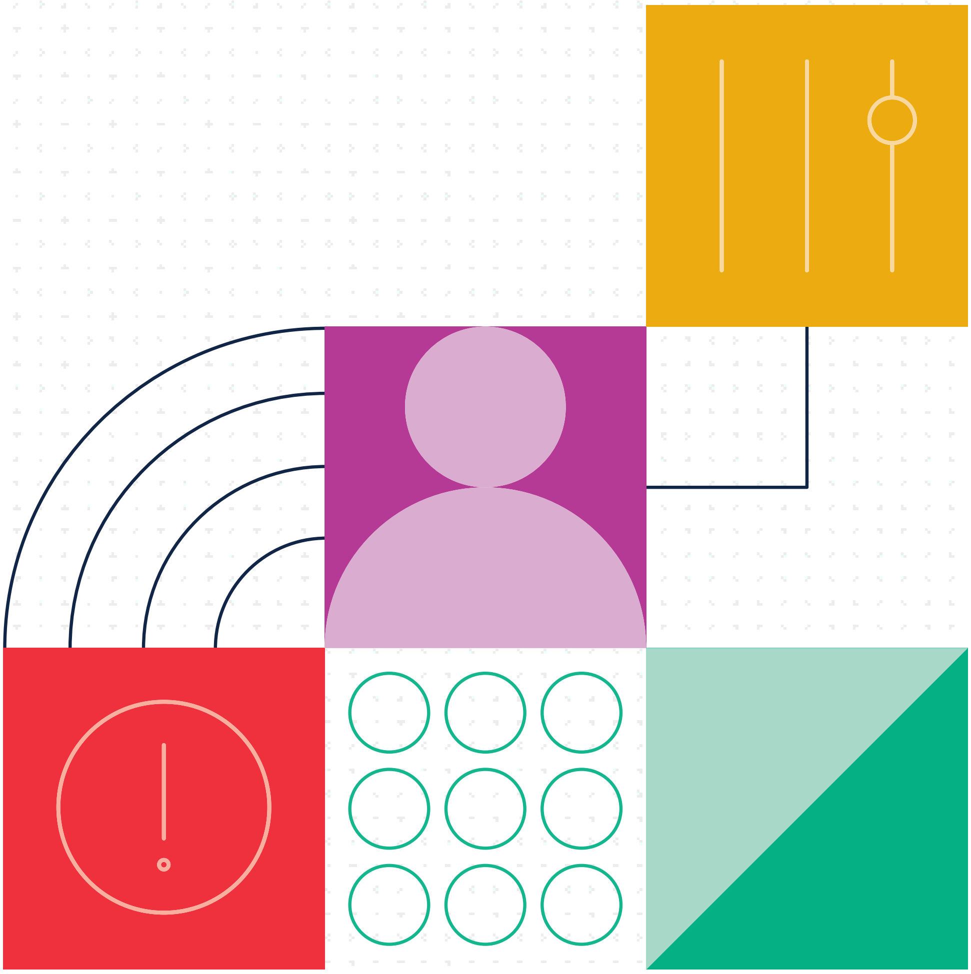


Banks and lenders providing invoice finance depend on data to manage their risk

In most invoice finance businesses, risk data is confined to credit risk teams, to enable them to avoid or mitigate client risk for the wider organisation.

Lenders can and should do more with their data. In this paper, I argue that 'opening up' risk data and making it accessible to operational and credit risk teams enables banks and lenders to operate more efficiently, better manage risk and spot new opportunities for client sales and service.

We call this model **'RiskOps'.**

This paper is for leadership teams and credit risk and operational managers in invoice finance lending businesses.

In it, I consider the conventional operational model for credit risk management and its shortcomings.

Then, I propose a new model for ops and credit risk teams, showing how this new way of working can enable lenders to grow their invoice finance business without growing their team.

"Lenders can and should do more with their data."

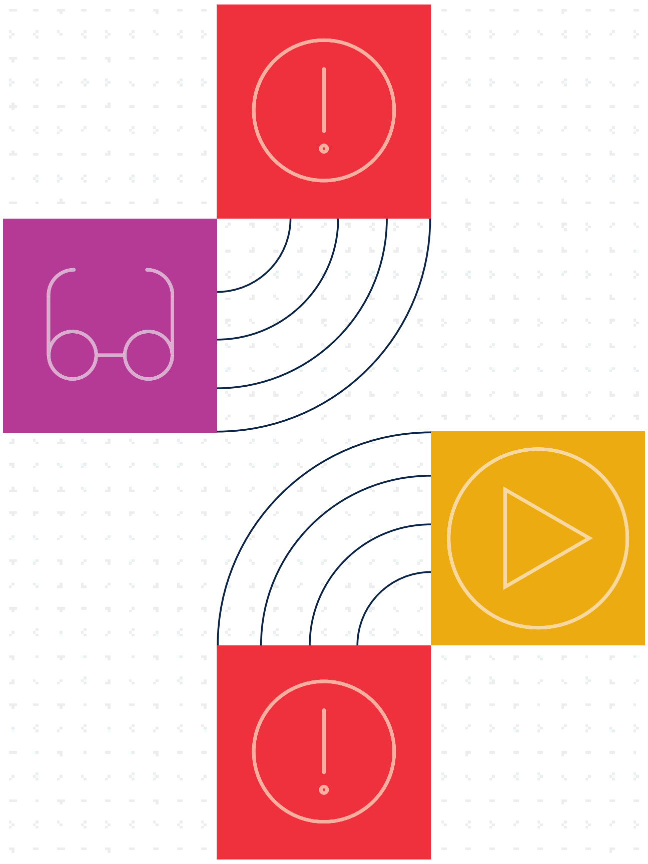
Conventional credit risk management: the 'client-supplier' model

In most invoice finance businesses, credit risk teams collaborate with operational, sales and finance teams on a client-supplier basis.

The credit risk team maintains the lenders' risk model, monitors its portfolio and defines the client watchlist.

It applies its specialist knowledge and tools to support other teams on credit control, audits, client management, underwriting and financial reporting.

The risk team collaborates closely with other teams but remains a separate entity, with its own datasets for monitoring and identifying portfolio risks.



Weaknesses in the 'client-supplier' model

This conventional operational model for credit risk management can mean wasted effort and missed risks for lenders.

Client reviews, client audits and debtor verification are typically organised according to a schedule or a sample from the client portfolio. (The exception are clients on the lender's watchlist, which are managed proactively.)

By planning audits, reviews and verification activity on the basis of a schedule or sample, operational teams waste time and effort monitoring low-risk clients. Risks can increase for individual clients between reviews, audits and verifications.

In the conventional model, ops and sales teams can become siloed from the credit risk team. Operational teams may even view risk teams as a barrier to business. This creates scenarios whereby ops teams cannot easily call on their credit risk colleagues to give a penetrative, objective view on client risk.

Risks are missed. A client manager may have a longstanding, trusted relationship with a client which may lead them to miss early warning signs of fraud or explain away suspicious behaviour by the client. By the time the credit risk team gets involved, the fraud is complete.

Finally, operational and sales teams miss chances to offer clients an improved service or sell new services to clients.

A different way of working: the 'RiskOps' model

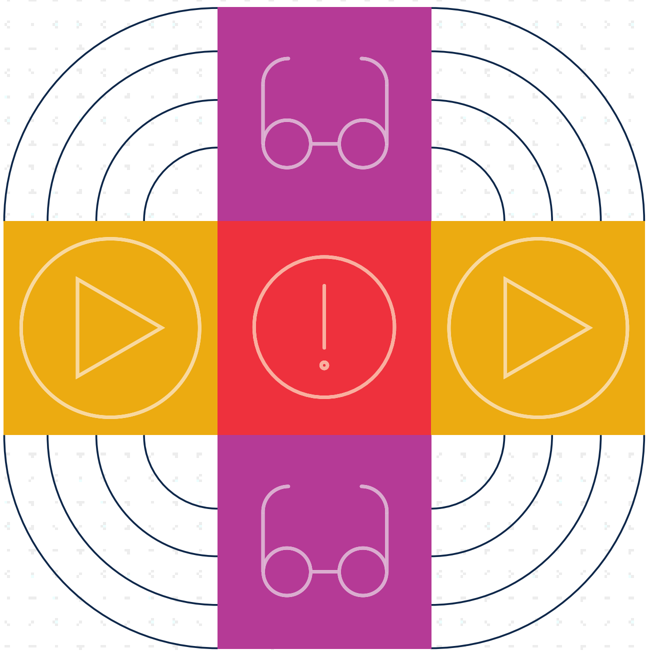
The 'RiskOps' model tackles these vulnerabilities in lenders' operations by breaking down the siloes between credit risk and ops teams.

Credit risk teams share their risk data and metrics across the lending business, with software acting as the bridge between teams. Ops and sales teams continue to perform the same activities, but now they integrate risk data into their workflows.

Client risk informs everyday decision-making and planning across the business. Instead of performing debtor verification on a random sample of clients, for example, ops teams will focus on high-risk clients only.

Crucially, the RiskOps model can only work with risk management software that makes risk data accessible and intuitive to a range of users within lending businesses; not just those in credit risk teams.

If ops teams can't make sense of the data on offer, they can't take advantage of it.



More efficient operations; more effective risk management

With access to the business' credit risk data, ops teams can work more efficiently; support credit risk teams to better manage risk; and identify opportunities to better serve and sell new products to clients.

Prioritisation and pace: Armed with client risk data, operational teams know which clients most urgently require reviews, audits and credit control.

This is the key advantage of the risk model: it enables operational teams to re-prioritise their client management workload to focus on high-risk clients. Operational teams are freed up from unnecessary administration on low-risk clients.

Teams can also use risk management software to reduce the time between reviews. Switching from monthly to daily monitoring, for example, empowers teams to intervene and mitigate risks more quickly.

Improved risk protection: The RiskOps model helps teams to work more quickly and manage risk more effectively.

First, by keeping the operational teams focused on their highest-risk clients. Second, by helping them to 'see' their clients more objectively, with reference to risk data.

Service and sales opportunities: While ops teams will still conduct audits and reviews as before, their role should shift from admin to analysis.

Teams can redirect the time they save on month-end processing, for example, to value-added services for clients.

Operational teams can use risk data to identify when clients could benefit from additional products or when their existing products are no longer appropriate. Risk data can show when clients are being constrained by their limits, for example, or when they're likely to become overdrawn. Then, lenders can offer temporary support.

Importantly, access to risk data enables ops teams to make informed decisions. Full utilisation can mean a client is struggling for cash or growing quickly – different scenarios requiring a different response. With the right data, the lender can choose to put the client onto special measures or change their facility to offer more headroom.

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The future for RiskOps in invoice finance

The RiskOps model helps lenders to better manage risk and operate more efficiently today, while preparing them for tomorrow.

Once in place, lenders can expand their risk dataset to include new types of information, such as KYC, AML, PEP's and adverse media data. (It's important to have an effective system in place to manage this information, which can otherwise overwhelm teams.)

Lenders will also soon use their data to train AI systems to predict and prevent client risks.

But lenders don't have to wait to benefit from the RiskOps model. By working more efficiently, lenders can grow their business without growing their team, and improve their services to attract more clients to invoice finance.

Making RiskOps a reality

RiskOps looks different in every lending business, and implementing the necessary systems, processes and policies is a journey.

At dancerace, we've supported banks and lenders across the globe to make RiskOps a reality for their business.

If this paper has resonated with you and you'd like to explore how your teams could work smarter and safer with RiskOps, we'd love to help.

Speak to our invoice finance experts today via **dancerace.com.**

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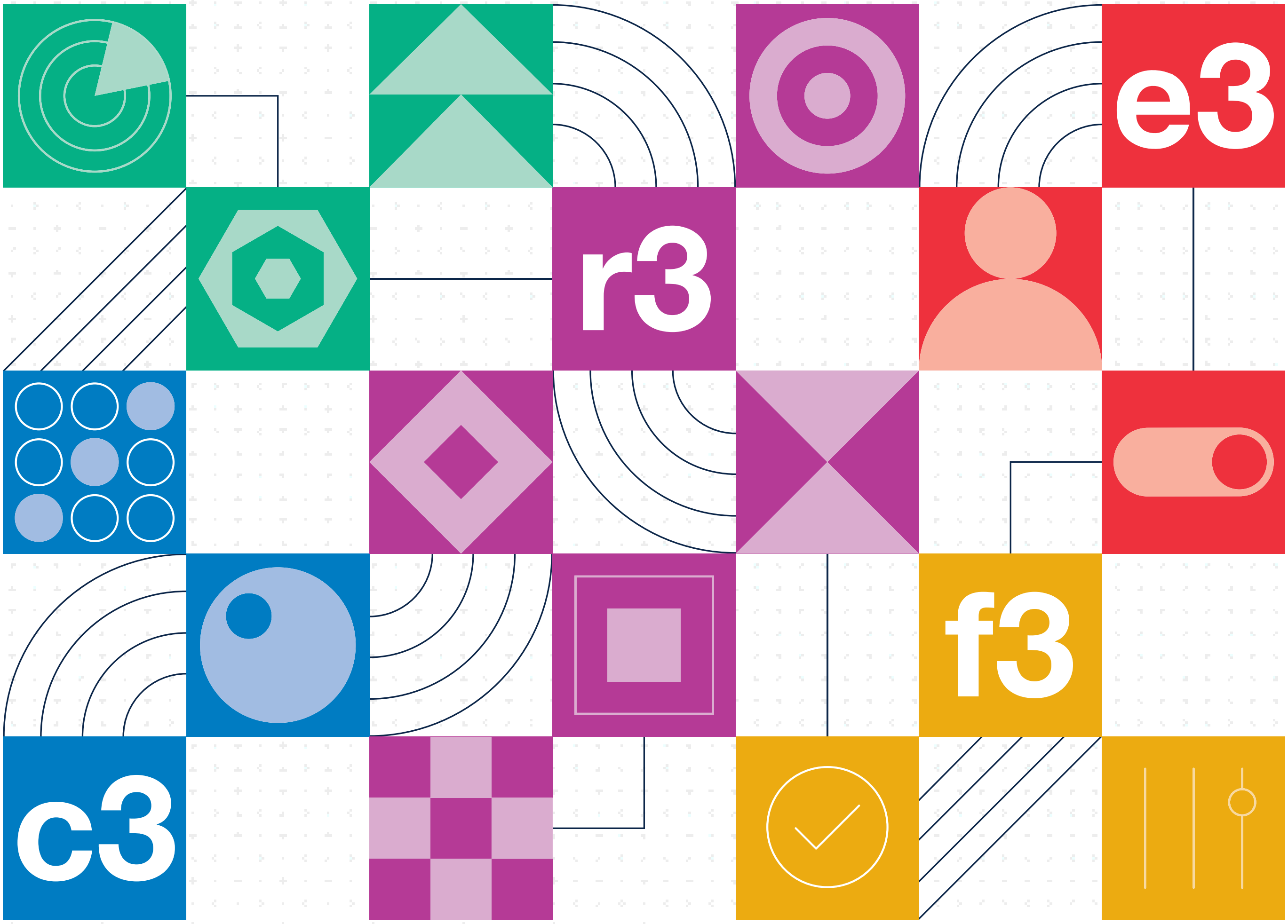
Bridging the gap:
Introducing r3 RiskOps by dancerace



At the core of the RiskOps model is the principle that all teams in a lending business should have access to credit risk data, and each must be able to understand and use this data to inform their everyday decision-making.

Software makes this possible.

We built our r3 RiskOps system to make it simple for invoice finance lenders to implement and unlock the benefits of RiskOps for their business.

Banks and lenders worldwide use r3 RiskOps to:

Configure their unique risk parameters, metrics and response workflows

Monitor their invoice finance lending portfolio for emerging risks

Respond to risk indicators and events via collaborative task, workflow and calendar tools

Focus activity on their highest-risk clients to save time and effort, everyday
All of this in a single, intuitive platform.

No moving data; no mistakes; nothing missed.

To find out more about r3 RiskOps – including case studies from lenders using the system – scan the QR code or visit **dancerace.com.**