

**CASE STUDIES AND SPECIFIC SOLUTIONS IN  
COMPUTER SYSTEM RISK MANAGEMENT**

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(Jpn pg.1)

## INTRODUCTION

Computer systems (“systems” henceforth) are becoming ever more important in the operations of financial institutions, and have also come to occupy an important position in management strategy. As a result, financial institutions are becoming increasingly interested in system risk. The Bank of Japan (BOJ) has published a number of papers<sup>1</sup> to date, has introduced points for financial institutions to keep in mind in relation to system risk management, and has encouraged them to take appropriate measures through testing and offsite monitoring.

There is, however, considerable scope for improvement. In addition to the continued cases, from testing, of inappropriate handling of issues from a risk management perspective, an increasing number of system error reports are being made to the BOJ. Many of these cases could arise not only in a specific financial institution, but also in common for all financial institutions. Therefore, publishing these case studies and the solutions to remedy them could be considered beneficial for all financial institutions.

Having sorted out the current situation of system risk management in financial institutions, this paper organizes and introduces specific solutions as system risk management solutions based on case studies, encountered in situations such as testing, of improvements required in system risk management and case studies of system errors.

### CURRENT STATUS OF SYSTEM RISK MANAGEMENT IN FINANCIAL INSTITUTIONS AND PROBLEM AREAS

#### (1) Problems in Aspects of Developing Systems and in Responding to Environmental Changes

Systems have become necessary and indispensable entities in the management of financial institutions for performing operations accurately and efficiently. In addition, besides the networking of the systems of financial institutions and the formation of a large settlement system from the entirety, a huge amount of customer information is also processed. Therefore, the impact if the intrinsic risks (the risk that the operations of a particular institution will be suspended or the risk of information leakage through unauthorized access) present in the systems manifest themselves will be immense.

Given this, system risk is ranked as one of the main risks in the management of a financial institution. Each financial institution develops rules on risk management (information security policy, information security standards, etc.) and pushes ahead with system risk management solutions based on these.

(Jpn pg.2)

On the other hand, some financial institutions appear to have quite a few counterparties for which rules and a risk management framework have been established but that have systems that do not necessarily operate according to the rules or that have management systems that do not function adequately.

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<sup>1</sup> “Importance of Information Security in Financial Institutions and Solutions” (April 2000), “State of Management and Points to Note on System Risk in Japan’s Financial Institutions” (September 2001). See the BOJ’s website (<http://www.boj.or.jp>).

\*IBA Note: The April 2000 document is available in English from the IBA translation service.