



# RISK & REGULATORY COMPLIANCE

## FEATURED ENGAGEMENTS



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### RISK & REGULATORY COMPLIANCE

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Global regulators are responding by instituting more sophisticated policies. Capital and liquidity risk, along with operational, market, credit and enterprise reporting demands continue to grow for financial service firms. Corporate and non-financial service firms need to comply with transaction reporting and financial instrument directives.

Cost optimization and operational efficiency priorities are trending as it relates to resource allocation for risk and compliance management. Digitization of analytic processes is enabling financial, institutional, and corporate clients to seek technology and advisory partners to build solutions.

Clients are engaging law firms to remediate and proactively manage enterprise and regulatory risks. Law firms require qualified domain experts to deliver on risk and regulatory compliance requirements. Ocean Tomo's risk and regulatory practice meets this need.

Intangible assets comprise more than eighty percent of business value but are also subject to significant impairment due to enterprise and regulatory compliance risk. Ocean Tomo, the Intellectual Capital Merchant Bank™ firm, provides a comprehensive set of products and services to help our clients realize their Intellectual Capital Equity® value as well as to manage systemic risk which may threaten these same assets or their benefit for stakeholders.

Ocean Tomo's Risk and Regulatory Compliance practice offers financial services, energy & commodity, corporate clients and law firms various risk and regulatory compliance solutions. We are a bespoke risk and regulatory advisory service provider.



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# DEVELOPMENT OF RISK ANALYTICS-FINTECH FIRM\*

## Background

A leading provider of solutions for the financial services industry was looking for a collaborative partner that would help develop a prototype to algorithmically apply Basel related rules within their financial risk management and compliance systems.

## Engagement

The algorithm that was developed automatically applied risk-weighted asset and requisite capital charges for various underlying asset classes, further to detailed Basel and country specific regulatory rules.

## Results

A successful prototype was developed for UK based clients within the private banking space. The prototype algorithm module was incorporated within Fintech firm's enterprise risk and compliance software tool.

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*\*Highlights experiential credentials of professional team members within Ocean Tomo's Risk & Regulatory Compliance group.*

# FORENSIC RISK REVIEW – COMMERCIAL LITIGATION\*

## Background

A leading law firm required the assistance of commodity market experts to do a forensic risk study of the transactions between their client (the defendant) and a hedge fund (the plaintiff), to assist in ongoing commercial litigation related to crude oil and refined products. The exposure at stake was over \$400mm.

## Engagement

Data analytics were performed on three years of financial and physical commodity contracts. Communications between the plaintiff's structuring and origination teams, along with related parties such as agents, shippers, financial hedgers, insurance companies etc. were analyzed. A forensic risk assessment review looked at the claims from the event horizon, looking backwards to analyze commercial decisions taken, risk mitigation practices and due diligence considerations followed.

The synthesized data highlighted whether there was gross negligence by the plaintiff or a violation of its own established risk management policies. It highlighted if lines of credit were established without the verification of inventory levels. Data analysis examined credit and counterparty risk management controls, any delayed reporting internally within the plaintiff firm.

## Results

The analysis highlighted systemic evidence of mediocre to poor risk management practices by the plaintiff when compared to industry benchmarks. The analysis highlighted how the firm doubled, tripled and later quadrupled its exposure to the counterparty in question through a series of increasingly risky loans, all sanctioned without the appropriate risk assessments or internal due diligence. The forensics risk report delivered to the law firm provided a detailed review of the plaintiff's commercial transaction practices along with the growing risk exposures, relative to market moves.

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# MODEL RISK REVIEW– INVESTMENT MANAGEMENT FIRM\*

## Background

The asset management division of a multinational insurance company required a review of their risk analytic and valuation models, to assess fit for purpose relative to the tremendous growth of its balance sheet, and subsequent onboarding of various alternative investment portfolios. Following the initial assignment, they sought an action plan to implement enhancements and changes required to their model framework.

## Engagement

A Fit For Purpose review was conducted across all models being utilized by the firm to value and risk manage the various portfolio exposures. This turned into a full year's review since the balance sheet growth and diversity of product usage was changing dynamically. Additionally, after working with the in-house quantitative research teams, various legacy models were retired. In some cases, better data inputs were secured, various input parameters were recalibrated. The entire model inventory was refreshed.

## Results

Bi-monthly updates delivered to the risk committee to the board provided progress made to enhance the models deployed, their monitoring, reporting, and control framework. Model inventory and documentation was considerably improved. Audit compliant third party built models were used, when the modeling wheel did not need to be recreated. Bespoke models were developed for specific products and exposures. Stress tests processes for various models were institutionalized. The model management framework was made transparent and reporting around related risks made more intuitive.

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# RISK MANAGEMENT FRAMEWORK-PRINCIPAL TRADING FIRM\*



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## Background

A leading US trading firm with a vast global trading portfolio, required assistance complying with more stringent risk management and regulatory reporting requirements from the UK and European regulators. The regulators required enhanced documentation and reporting related to their enterprise risk management framework. They also required additional liquidity and capital risk controls, calculators and the establishment of related regulatory reporting processes.

## Engagement

Over three months, remediation efforts were conducted with the firm's enterprise risk management committee, key business stakeholders, finance, risk and compliance leaders.

## Results

The enterprise risk management framework for the firm was enhanced significantly, including documentation of its committee charters, board governing principals, risk appetite statements, limits, risk policies and procedures. The operational risk framework was enhanced as were key risk indicator reports and the material risk inventories. The operational risk framework was enhanced as were key risk indicator reports and the material risk inventories. Capital and liquidity risk policies were developed and controls for the monitoring and calculation of associated metrics established.

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Ocean Tomo, the Intellectual Capital Merchant Banc™ firm, provides companies with financial services related to intellectual property and intangible assets including financial expert testimony, intellectual property and complex financial instrument valuation, strategy consulting, risk and regulatory compliance, patent analytics, investment advisory, innovation management consulting and transaction brokerage.

Our Opinion, Management, and Advisory Services are built upon more than three decades of experience valuating intellectual property in the most rigorous of venues – State, Federal and international courts. Our financial, market and technical experts provide a unique understanding of the contributory value of proprietary innovation. This is the cornerstone of our business. This insight permeates every practice and client engagement.

Collectively, Ocean Tomo professionals have:

- Completed over 1000 engagements involving IP worth in excess of \$10 billion including over 300 valuation and 500 financial damages expert testimony engagements;
- Successfully closed hundreds of IP sale transactions with a cumulative transaction value well in excess of \$750 million;
- Served as a trusted advisor involving the biggest IP transactions in history;
- Originated more successful IP monetization solutions than any other firm, including creation of the world's oldest and most successful live patent auction.

Our track record of results spans more than 100 different industry segments. Because our past success provides the best indication of our capabilities, we are proud to feature a few representative engagements and encourage potential clients to seek references from past clients.

Headquartered in Chicago, Ocean Tomo has offices in Greenwich, Houston, and San Francisco.

Subsidiaries of Ocean Tomo include: Ocean Tomo Investment Group, LLC, a licensed broker-dealer under Federal and State securities law (brokercheck.finra.org Broker Check CRD #: 172912); OTI Data Networks, LLC and Patent Marking, LLC.

Ocean Tomo assists clients – corporations, law firms, governments and institutional investors – in realizing Intellectual Capital Equity® value broadly defined.



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