

Institute of Risk Management
Special Interest Group – Financial Services

Tuesday 22nd July 2008 10:30 – 13:00

Institute of Risk Management, 6 Lloyds Avenue, London, EC3N 3AX

Attendance:

Peter Docherty – Chairman (AEGON UK)	Karen Hudson (Swiss Re)
Lisa Sawyer (JLT)	David Ramirez (Barclays)
Kevin O’Leary (Metropolitan Police)	Val Amos (Hiscox)
Stephen McKee (Resolution Asset Mgt)	Anne Storm (NAB Group)
Tim Chadwick (Aon)	Sue Houldey (Ecclesiastical)
Dinesh Garbharran (Discovery Holdings)	Jennifer Lawrence (F&C Asset Mgt)
Filipe Araujo (Skandia)	Susan Young (Zurich Global Corporate)
Cathy Hawes (Pearl Group)	Simona Fionda (Barclaycard)
Donna-Louise Ritson (Standard Life)	Andrew Clarke (XL Insurance)
Jennifer Grant (Franklin Templeton)	Richard Archer (DNV)
Ross McGee (Whittington Insurance)	Julian Phillips (JP Risk)
John Reid (Marsh)	

MINUTES

1. Welcome & Introductions

The Chairman welcomed everyone to the newly restarted SIG and highlighted the aims and objectives of the group. The remit of the group is deliberately wide, so as to encourage membership from the various risk disciplines within the financial services sector, allowing banking professionals to hear the views of insurance professionals, asset managers, professional services firms and so on. In addition, the input of non-financial firms was also welcomed, to provide an even broader perspective on FS risks.

The participants introduced themselves and role they currently hold within their respective organisations.

It was agreed in advance, that the minutes of the meeting would be informal, thereby not referring comments and discussion input directly to attendees.

2. Enterprise Risk Management (ERM)

Richard Archer of DNV presented the findings of the AIRMIC ERM project that focused on the Benefits of ERM. The group was informed that a copy of the full report is available to purchase from AIRMIC if required.

Richard outlined the qualities required to deliver ERM excellence, focusing on Leadership, people, Policy & Strategy, Partnership & Resources and Processes. The key focus appeared to be on proportionality, ensuring that the cost/benefit was not overshadowed by the effort required to implement the solutions. The companies who derived the most benefit from ERM were those that used it as a creative process, to help manage risk in a commercially aware manner, as opposed to firms who viewed risk management as a process to be followed.

Richard provided an outline of differing approaches to ERM within a variety of organisations, from various backgrounds and various sizes. There was a general acceptance that there is no right or wrong answer to implementing an effective ERM framework, however, the importance of ensuring risks are comprehensively identified is the cornerstone of success.

The group then discussed their own experience of ERM, many felt that the ability to provide quantifiable benefit was difficult, although project type risks were easier to assess. The group then discussed the approach of the FSA when looking at risk frameworks, there now appears to be a more holistic regulator focus on individuals within firms, with the previous focus on senior management now extending to include operational management. This links in with the Hallmarks of ERM Excellence presented by Richard, whereby all personnel are trained in core risk management skills.

3. Risk Governance Frameworks

Val Amos provided a number of slides that outlined a number of possible governance frameworks that could be used in FS firms. There was general acceptance within the group that the introduction of a new risk governance structure requires the winning of the 'hearts and minds' of the Executive and Senior Management, in order to ultimately prove successful.

The question was posed; why have a risk framework? The group decided on the following:

- **Escalation** – ensure the right issues are escalated at the right time, and that there is an appropriate, accessible framework to allow this to happen.
- **Oversight** – allows the senior management to have a view of how well risk is managed across the business and react accordingly
- **Focus** – ensures that there a specific senior focus on risk management and the processes that underpin the framework
- **Action oriented** – a framework that focuses on actions as well as awareness
- **Consistency** – promotes a consistent approach to managing risk, especially crucial in large, diverse organisations where risks are collated and compared for Group level purposes
- **Communication** – effective communications strategies to help deliver the consistent approach, share experience and provide updates on success / failures

The group then discussed the role of CRO and whether organisations seen this as the model that is preferred. The split between CRO and non-CRO firms was 50/50. The group then discussed some of the drivers for change within their organisation; one participant outlined the view of the FSA to the role of audit and risk in regulated firms, whereby the preference appeared to be complete discretion between each area. Another participant described how their own approach, which was the apposite, with a combined audit and risk function, had not been criticised during a recent ARROW visit. The group agreed that the view of the FSA was often dependent upon the Supervisory Team assigned to the organisation.

The group also discussed the committee structure for overseeing risk and audit, some firms had a combined committee, others still had separate structures. The joint audit and risk committee structure was seen as beneficial as it allowed the Executive and Non-Executive Directors to view the risks attached to the business, then in response, set direction for audit planning in the forthcoming period.

The remit of risk functions was also discussed; the main focus was on the responsibilities of the risk department. One firm discussed their firm's view that risk management was the responsibility of the divisions within the organisation, the risk department was responsible for providing the support function to the business, acting a consultant for any technical queries, advising on mitigation measures etc. There was a general acceptance that the risk function is viewed as a regulatory / control function and this is an issue that would need to be tackled in order to effectively embed a risk aware culture within an organisation.

4. Key Risk Indicators

The decision was taken to carry forward this agenda item to the next meeting.

5. AOB

The agenda items for the next meeting of the group will focus on KRIs and Change Management risks.

It was agreed that meetings would be held quarterly, with both AEGON and Standard Life offering to host the next meeting in Edinburgh. The Chairman advised that a date would be set well in advance and that facilities offered would be suitable for the level of attendees expected.

6. Next Meeting

Next meeting to be held during November (date to be confirmed in due course) in Edinburgh