

Risk Management Essentials and Implementation



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Some Important Definitions

What is risk

Possibility of unexpected event that may lead to loss of something or value

Uncertainty is at the heart of risk

What is risk management

It is the process of identifying, assessing and controlling **Risks**,
its **impact** and its related **sources of threats and weaknesses**

What is enterprise risk management - ERM

It is a process, effected by an organization's **board, management** and other **personnel**, for **integrating** risk management practices across the organization to effectively identify and manage potential events that may affect the **achievement of its objectives**.

Is risk always a bad thing?



Examples

Risk	Management	Opportunity
H.R Risk Aging Workforce	New recruitments and training	Retirement Pool to allow workers to provide expertise to the company on a part-time basis, thus retaining experience
settlement finality Insufficient funds	Settlement on participant's account at settlement bank	Agreement with Central Bank to guarantee settlement banks' defaults

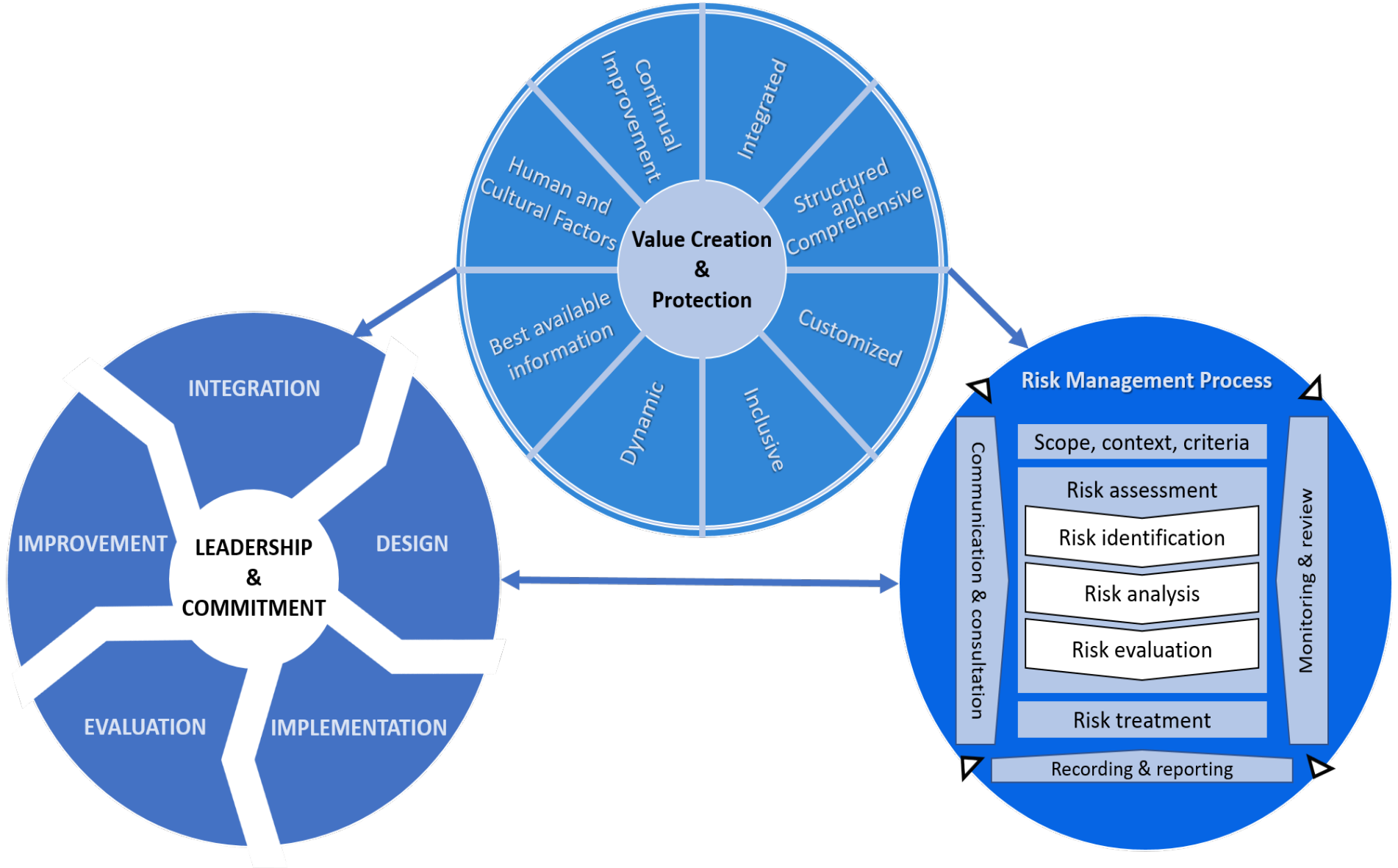
Conclusion

Risk in general is not specifically good or bad. It is just an event that can have some type of potential impact on business objectives

Do more than risk management

Take time to analyze risks to determine if there are potential opportunities

Enterprise Risk Management Framework - ISO 31000



Enterprise Risk Management Framework explained

Improvement

- Adapting to internal and external changes
- Continual monitoring and improvement to enhance risk management framework

Evaluation

Monitoring and review to ensure:

- It is producing its intended results
- Achieving organization 's objectives

Risk Management Process

- Risk awareness and understanding
- Defining the scope and objectives
- Risk assessment
- Risk treatment
- Recording and reporting



Implementation

- Develop implementation plans
- Identify decision-making process
- Ensure risk management process is understood

Leadership and Commitment

Top management should demonstrate leadership and commitment by,

- Issue risk management policy
- Allocate the necessary resources
- assigning authority, responsibility and accountability within the organization

Integration

- Integrating risk management across the organization
- Everyone in an organization has responsibility for managing risk

Design

The risk management framework should consider important elements

- It should create value and protect the organization
- Structured and customized according to organization context
- Should be dynamic and Account for human and culture factors
- Establish communication and consultation based on best available information

Risk Analysis

What is risk

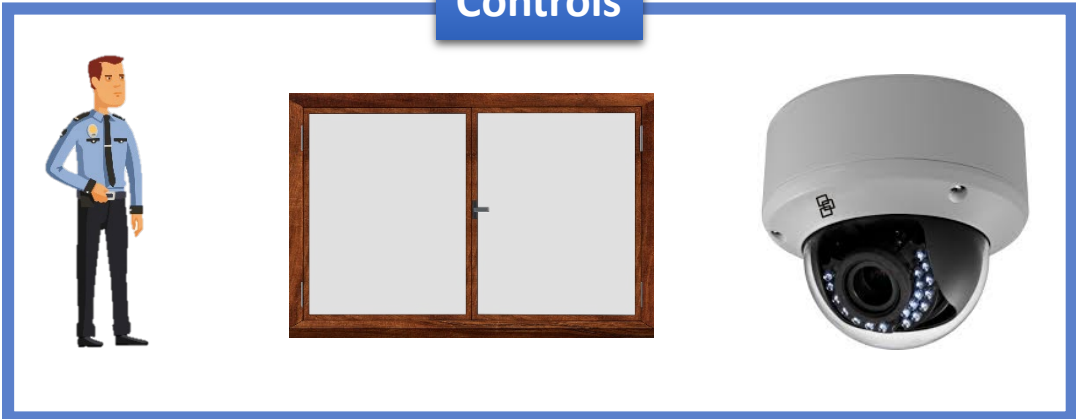


What is risk level



Risk Treatment

Controls



Other Options

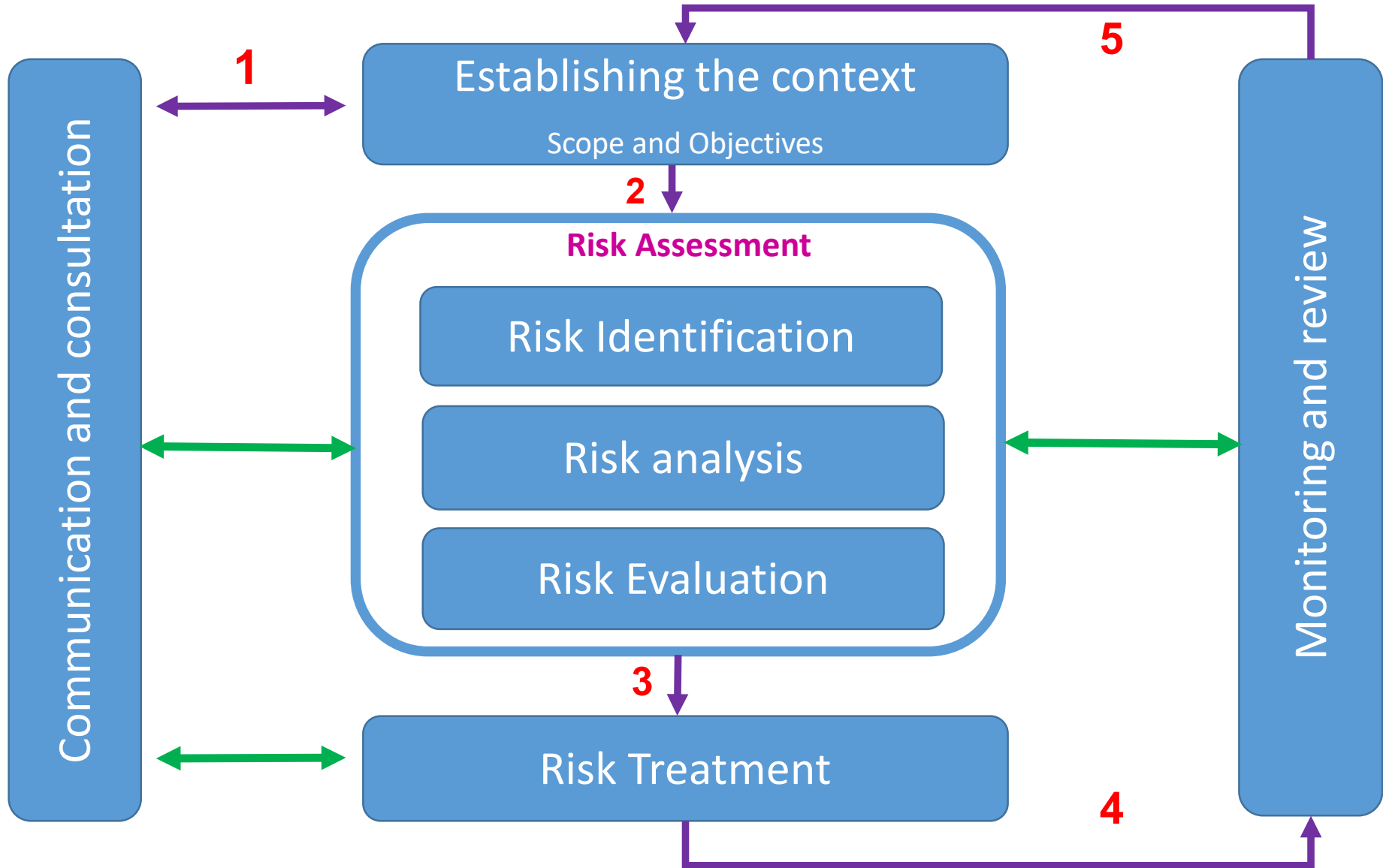
- TRANSFER
(i.e. Insurance)
- AVOID
(i.e. Change technology or Location)

Risk Acceptance Criteria



Impact	High	<p>Management Awareness Further Mitigation</p>	<p>Recorded Acceptance Extra Controls</p>	<p>Exceptional Measures Treatment Mix.</p>
	Medium	<p>Accepted Frequent Monitoring</p>	<p>Management Awareness Further Mitigation</p>	<p>Management Awareness Further Mitigation</p>
	Low	<p>Accepted Matches Risk Appetite</p>	<p>Accepted Matches Risk Appetite</p>	<p>Accepted Controlled</p>
		Low	Medium	High
		Likelihood \ Probability		

Risk Management Process



Risk Assessment Example

Process	Shareholders lists extraction for corporate actions (Cash dividends):			
Description	the issuer company sends a letter to information and affiliates department stating the company's general assembly decision regarding cash dividends (value, entitlement date) a copy of the issuer's instructions sent to shareholders lists department to re-keyin the corporate action details to extract the shareholders' list			
Assets Involved	MCDR Software	Dept. Staff	MCDR infrastructure	
Objective	extract the shareholders' list at the designated date			
Risk owners	operator 1			
Security Needs	C	A	I	criticality of the process
	1	2	3	6

Threats	Threat Level	Vulnerability	Vulnerability Level	Likelihood	Impact	Business impact	Risk	Risk level	Treatment Option	Implemented Controls	Effectiveness rate of controls	Residual Risk
(T23)Human errors (capable but not motivated)	1	(V16) Inadequate segregation of duties	0.5	0.5	3	will impact MCDR reputation and legal and financial stability	shareholders' list extracted on a wrong date	1.50	Mitigate	A.6.1.1 Information security roles and responsibilities. A.6.1.2 Segregation of duties. A.7.2.2 Information security awareness, education and training.	90	0.15
(T37)Software Errors	0.5	(V23) Insufficient software testing	0.5	0.25	2	will delay executing the corporate action	Unavailability of shareholders' services	0.50	Mitigate	A.12.1.2 Change management. A.14.2.9 System acceptance testing	90	0.05

Conclusion

- Risk is all about uncertainty
- Risk is not always a bad thing **Look for Opportunities**
- Risk Management is in every aspect of our life **Do the same in your organization**
- Top Management interaction, commitment and support is **important**
- Change organization culture and spread risk management awareness
- Follow the standards to be more **focused** and **organized**
- Effective risk analysis requires ,
 - Good communication
 - Detailed and best available information

Conclusion

- There is no one fixed methodology, **customize** the framework to your environment
- **Remember**, Controls costs money and time
- Immediately report any unaccepted risk levels / events to top management
- Firmly manage certain type of risks:
 - Reputation Risk
 - Compliance Risk
 - Information Security Risk

they can easily damage your organization viability
- In the pipeline, ESG Risks – Environmental and Social Governance Risks

Thank You