



EFFECTIVE BOARD INTERACTION FOR RISK MANAGERS
May 2019

ENHANCED OVERSIGHT, PROVEN
Communicate your Obligations • Understand your Status • Prove your Compliance

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Non Executive Director
permanent tsb plc
January 2014 - Present, Dublin

I am an independent non-executive director of permanenttsb bank plc and a member of both the Board Risk & Compliance committee and the Board Audit committee. I was chairman of the transaction sub committee for the recent capital raise (€525m) and listing on the Irish & London Stock Exchanges. The bank is a systemically important bank for Ireland and is directly regulated by the ECB.



Chairman (Non Exec)
Citadel Securities GCS (Ireland)
July 2018 - Present, Dublin

Citadel Securities is an award-winning global market maker across a broad array of fixed income and equity products. CSGI is a Central Bank of Ireland MIFID registered firm trading in various markets across Europe.



Independent Non Executive Director
Citadel Securities GCS (Europe)
July 2018 - Present, London

Citadel Securities is an award-winning global market maker across a broad array of fixed income and equity products. CSGE is a FCA registered firm trading in various markets across Europe.



Independent Non Executive Director
J.P. Morgan Administration Services (Ireland) Ltd & JP Morgan Hedge Fund Services (Ireland) Ltd
2015 - Present, Dublin

I am the sole Independent Non Executive Director of the JP Morgan fund administration services businesses in Ireland. J.P. Morgan is one of the largest providers of custody and administration services to funds in Ireland. The firm is regulated by the Irish Financial Regulator and was the first international firm to receive a license to operate in the International Financial Services Centre.



Founder/CEO
Governor Software
January 2015 - Present, Dublin

GOVERNOR is a state of the art software product that revolutionises the way in which board directors and senior executives govern and risk manage their enterprises. GOVERNOR is a cost effective, easy to use system that will assist institutions in complying with new governance and risk regulations and enhancing the quality of management information distributed throughout the organisation.

Lecturer: Certified Bank Directors (ERM & Op Risk)
Institute of Banking
May 2015 - Present, Dublin

I lecture on the CBD course provided by the Institute of Banking and delivered to directors and senior executives in banking in Ireland.





All views my own except those that I have nicked from
far cleverer people.

Oversight of Risk & Compliance is complex and is very expensive

- Senior Managers need tools that allow them prove compliance effectively and in an auditable way
- A solid business case exists, compared to the cost (especially reputational) of non compliance

On average, financial institutions have 10-15% of their staff dedicated to governance, risk management and compliance. In 2014, Citigroup Inc. had nearly 30,000 employees involved on regulatory and compliance issues. Recently, a survey found that firms typically spend 4% of their total revenue on compliance, with an estimated increase to 10% by 2022. For some GSIBs, the cost of compliance is anything up to \$4bn annually.

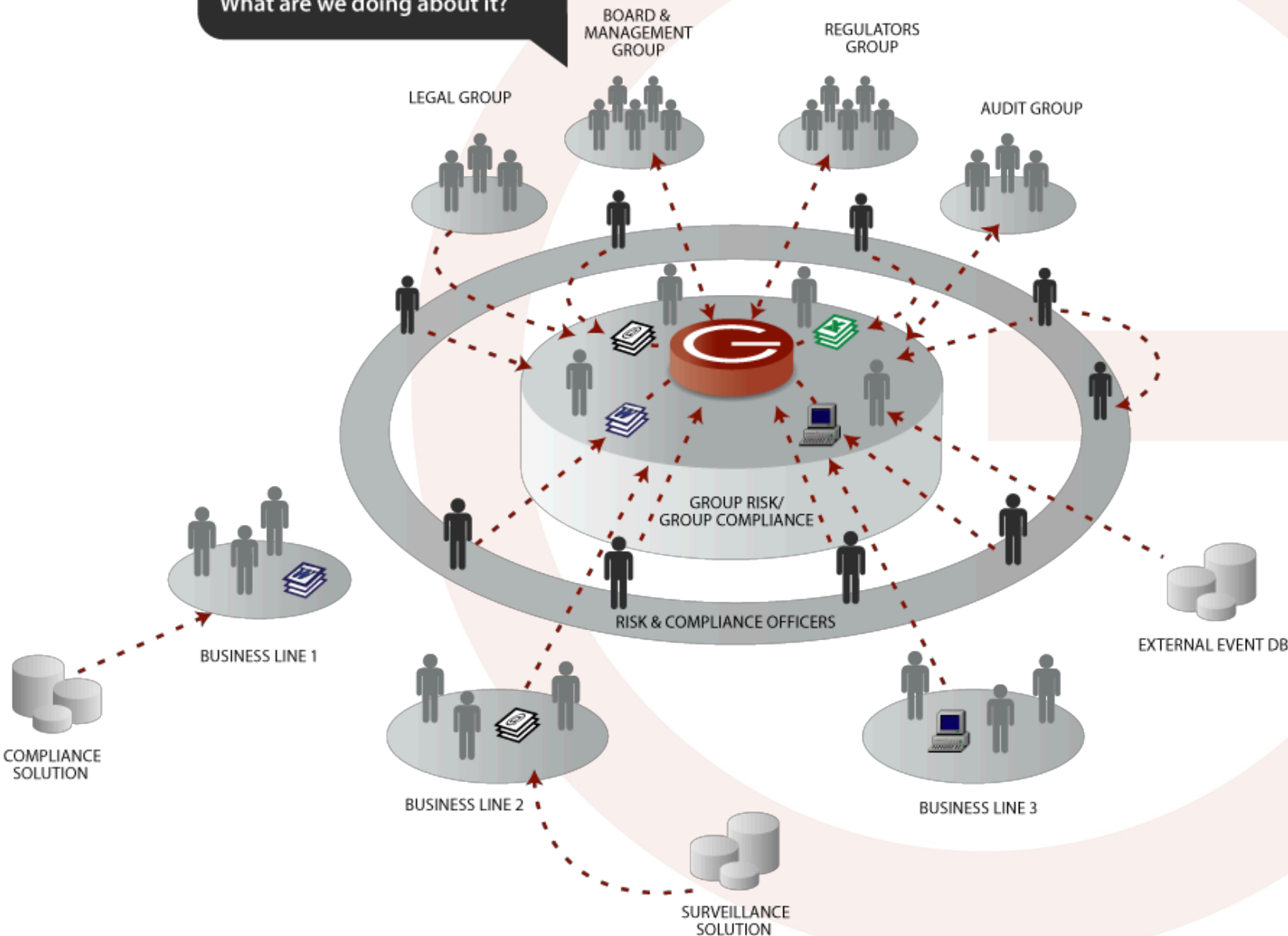
INDICATORS OF SUCCESS.

- Engaged and confident Board
 - Get the right information at the right time
- Proportionate reporting and MI
- Management buy-in
 - Risk-aware culture
 - Willing to share/report
- Important matters get sufficient air-time
 - Material risk exposures and risk events
 - One eye on the future



Business Landscape

Where does our risk reside?
Are we getting better or worse?
What are we doing about it?

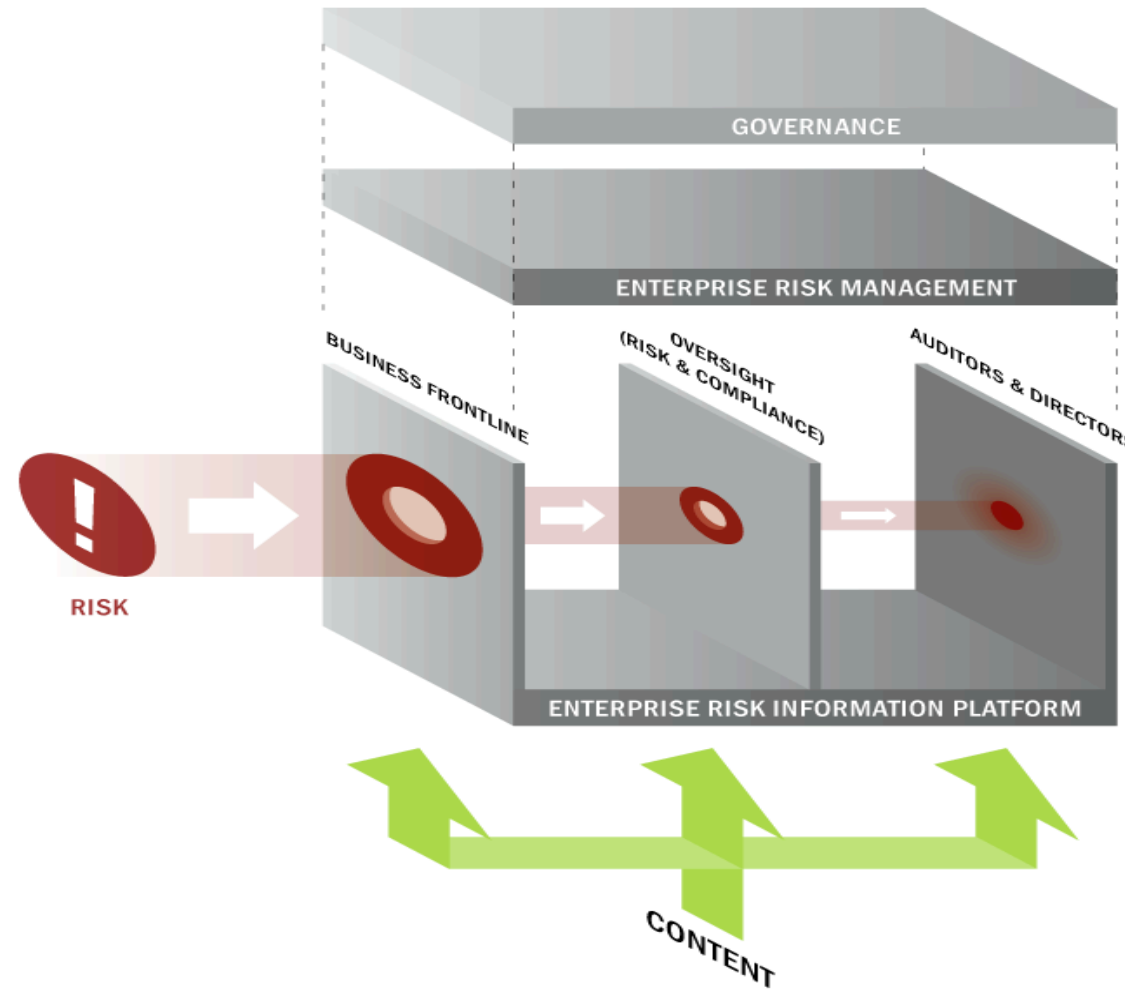


Threats

1. Highly manual processes
Out-dated systems
Complex/shifting org. Structures
Historically underfunded
'Necessary evil' to enterprise
2. Highly competitive markets
Globalisation and consolidation
Corporate malfeasance
Public mistrust
3. Enormous workloads
Increasing complexity
Personal liabilities
4. Multiple jurisdiction/regulators
Increased complexity and scope of oversight
Stiffer penalties
Looming deadlines

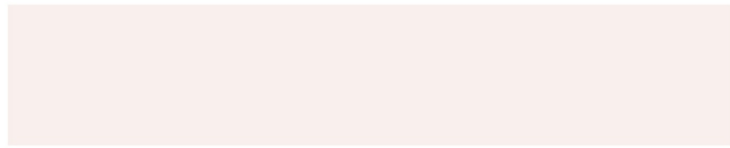
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Want information in the same dimensions



Be clear about what you want?

- For information only
- For review and feedback
- For sign-off



RELAX

YOU DON'T HAVE TO DO

ANYTHING

K
♥



Context! Context!
My Kingdom For Context!

with apologies to William Shakespeare

♥
Q

W

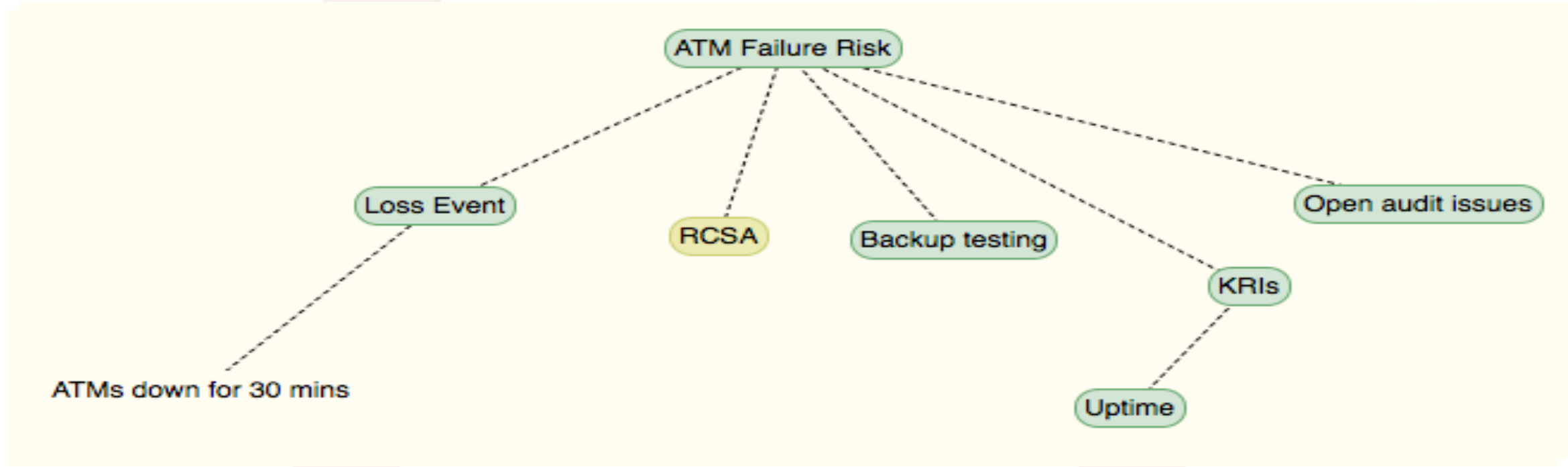
Context: Policies, frameworks, reviews, etc

- Why did you write the document?
- What process has it been through to get here?
- Where does it sit in your overall framework?
- How will I know that you are implementing it or following it?
- What do you want me to do with it?

Context: Risks, Controls, Losses, etc.

- Customer impact, SLA impact, other knock ons
- What do your other indicators tell you about this item?
- What do the other lines of defense think about this item?
- Have you notified all the right people?
- What do you want me to do with this information?

ATM Failure Loss event



Board presentations: Think through the process

- What documents do they need up front?
- Assume they are read and understood
- Provide brief summary
- Be prepared to answer detailed questions but don't make it up!
- Ensure that items are followed up

3 Lines Scorecard

Governance	Business	Audit
Corporate Governance commitment	●●●●●	●●●●●
Shareholders & General meeting	●●●●●	●●●●●
Board committees	●●●●●	●●●●●
Board of directors	●●●●●	●●●●●
Transparency	●●●●●	●●●●●
Reporting & Audit	●●●●●	●●●●●
Executive Remuneration	●●●●●	●●●●●

Risk	Business	Assurance	Audit
Financial Risk	●●●●●	●●●●●	●●●●●
Operational Risk	●●●●●	●●●●●	●●●●●
Compliance Risk	●●●●●	●●●●●	●●●●●
Strategic Risk	●●●●●	●●●●●	●●●●●

Strategic Risk Scorecard	Business	Assurance	Audit
Identification			
Scenario planning	●●●●●	●●●●●	●●●●●
Competitor activity	●●●●●	●●●●●	●●●●●
Legislative change	●●●●●	●●●●●	●●●●●
Implementation			
New products	●●●●●	●●●●●	●●●●●
Acquisitions	●●●●●	●●●●●	●●●●●
Reorganisations	●●●●●	●●●●●	●●●●●
Monitoring			
Senior Management Commitment, Strategy & Progress	●●●●●	●●●●●	●●●●●
Product Design & Governance	●●●●●	●●●●●	●●●●●
Marketing & Promotion	●●●●●	●●●●●	●●●●●
Sales & Advice	●●●●●	●●●●●	●●●●●
After-sales Service and Claims	●●●●●	●●●●●	●●●●●
Complaints Handling	●●●●●	●●●●●	●●●●●
Culture & Reward	●●●●●	●●●●●	●●●●●
Strategic Change	●●●●●	●●●●●	●●●●●
Relationship with Product Providers, Intermediaries & Third Parties	●●●●●	●●●●●	●●●●●
Management Information	●●●●●	●●●●●	●●●●●

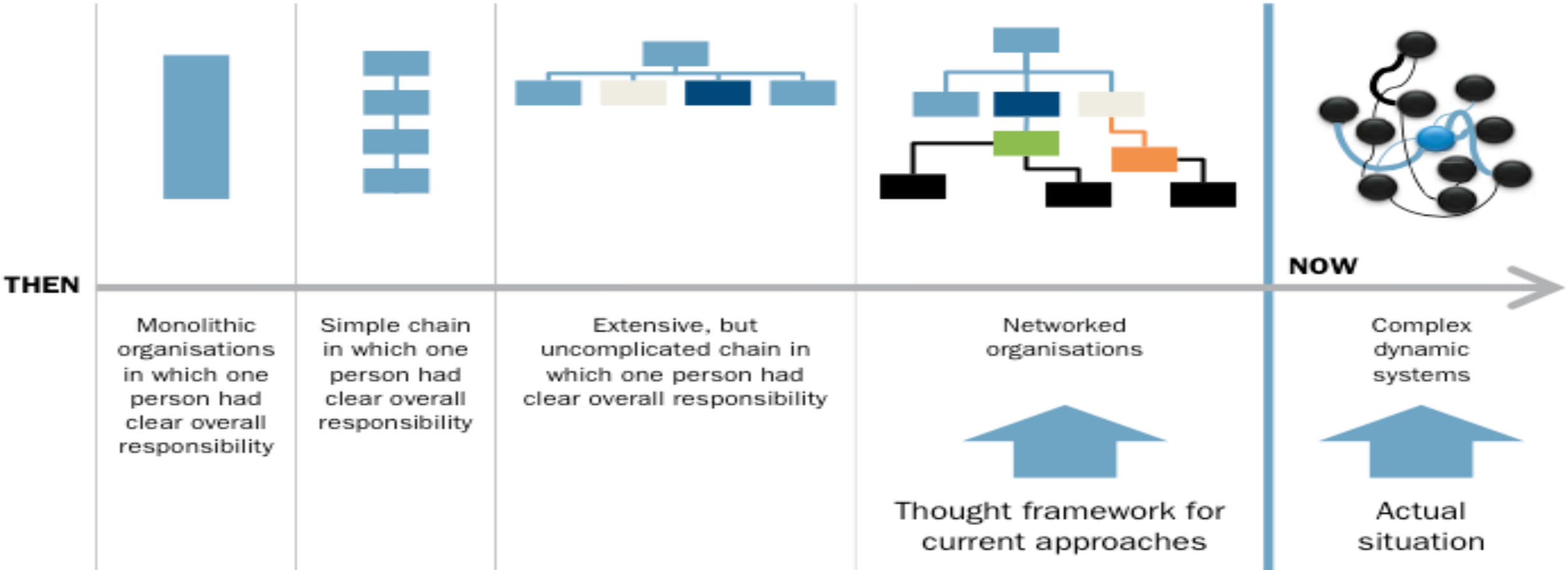
Financial Risk Scorecard	Business	Assurance	Audit
Financial Reporting Risk			
Completeness	●●●●●	●●●●●	●●●●●
Existence or occurrence	●●●●●	●●●●●	●●●●●
Valuation or allocation	●●●●●	●●●●●	●●●●●
Disclosure	●●●●●	●●●●●	●●●●●
Rights & obligations	●●●●●	●●●●●	●●●●●
Liquidity Risk			
Amount of available liquidity	●●●●●	●●●●●	●●●●●
Reliability of available liquidity	●●●●●	●●●●●	●●●●●
Unsecured funding reliance	●●●●●	●●●●●	●●●●●
Insurance Risk			
Underwriting	●●●●●	●●●●●	●●●●●
Mortality	●●●●●	●●●●●	●●●●●
Re-insurance	●●●●●	●●●●●	●●●●●
Policyholder behaviour	●●●●●	●●●●●	●●●●●
Pension Obligation Risk			
Solvency	●●●●●	●●●●●	●●●●●
Market Risk			
Equities	●●●●●	●●●●●	●●●●●
Bonds	●●●●●	●●●●●	●●●●●
Foreign Exchange	●●●●●	●●●●●	●●●●●
Money Markets	●●●●●	●●●●●	●●●●●
Derivatives	●●●●●	●●●●●	●●●●●
Credit Risk			
Counterparty risk	●●●●●	●●●●●	●●●●●
concentration risk	●●●●●	●●●●●	●●●●●

Operational Risk Scorecard	Business	Assurance	Audit
Internal Fraud			
Unauthorized activity	●●●●●	●●●●●	●●●●●
Theft & fraud	●●●●●	●●●●●	●●●●●
External Fraud			
Systems security	●●●●●	●●●●●	●●●●●
Theft & fraud	●●●●●	●●●●●	●●●●●
Employment Practice & Workplace Safety			
Employee relations	●●●●●	●●●●●	●●●●●
Safe environment	●●●●●	●●●●●	●●●●●
Diversity & discrimination	●●●●●	●●●●●	●●●●●
Clients, Products & Business Practice			
Suitability, disclosure and fiduciary	●●●●●	●●●●●	●●●●●
Improper business or market practices	●●●●●	●●●●●	●●●●●
Product flaws	●●●●●	●●●●●	●●●●●
Selection, sponsorship & exposure	●●●●●	●●●●●	●●●●●
Advisory activities	●●●●●	●●●●●	●●●●●
Damage to Physical Assets			
Disasters & other events	●●●●●	●●●●●	●●●●●
Business Disruption & System Failure			
Systems	●●●●●	●●●●●	●●●●●
Execution, Delivery & Process Management			
Vendors & suppliers	●●●●●	●●●●●	●●●●●
Trade counterparties	●●●●●	●●●●●	●●●●●
Customer / client account management	●●●●●	●●●●●	●●●●●
Customer intake & documentation	●●●●●	●●●●●	●●●●●
Monitoring & reporting	●●●●●	●●●●●	●●●●●
Transaction capture, monitoring & maintenance	●●●●●	●●●●●	●●●●●

Compliance Scorecard	Business	Assurance	Audit
General			
Employment	●●●●●	●●●●●	●●●●●
Environmental	●●●●●	●●●●●	●●●●●
Financial Reporting	●●●●●	●●●●●	●●●●●
Health & Safety	●●●●●	●●●●●	●●●●●
Privacy	●●●●●	●●●●●	●●●●●
Markets			
Bank II	●●●●●	●●●●●	●●●●●
ICAAP	●●●●●	●●●●●	●●●●●
Treating Customers Fairly			
Senior Management Commitment, Strategy & Progress	●●●●●	●●●●●	●●●●●
Product Design & Governance	●●●●●	●●●●●	●●●●●
Marketing & Promotion	●●●●●	●●●●●	●●●●●
Sales & Advice	●●●●●	●●●●●	●●●●●
After-sales Service and Claims	●●●●●	●●●●●	●●●●●
Complaints Handling	●●●●●	●●●●●	●●●●●
Culture & Reward	●●●●●	●●●●●	●●●●●
Strategic Change	●●●●●	●●●●●	●●●●●
Relationship with Product Providers, Intermediaries & Third Parties	●●●●●	●●●●●	●●●●●
Management Information	●●●●●	●●●●●	●●●●●
Anti-Money Laundering			
Know Your Customer	●●●●●	●●●●●	●●●●●
Suspicious Transaction Monitoring	●●●●●	●●●●●	●●●●●
Interdiction List Monitoring	●●●●●	●●●●●	●●●●●
Market Abuse			
Insider Dealing	●●●●●	●●●●●	●●●●●
Improper Disclosure	●●●●●	●●●●●	●●●●●
Hoax of Information	●●●●●	●●●●●	●●●●●
Manipulating Transactions	●●●●●	●●●●●	●●●●●
Manipulating Orders	●●●●●	●●●●●	●●●●●
Discrimination	●●●●●	●●●●●	●●●●●
Misleading Behaviour	●●●●●	●●●●●	●●●●●
Bribery	●●●●●	●●●●●	●●●●●
Conflicts of Interest			
Personal Dealing	●●●●●	●●●●●	●●●●●
Managing Conflicting Client Interests	●●●●●	●●●●●	●●●●●
Best Interest Client	●●●●●	●●●●●	●●●●●
Gifts, Incentives, Soft Commission	●●●●●	●●●●●	●●●●●

New Generation Governance Challenges

1. Organizational Organization



Networked Risk Management: Rieks Joosten & Andre Smulders 2014

New Generation Governance Challenges

2. We need to look behind you



Sitting in a 3.8-metre sea
kayak and watching
a four-metre great
white approach you is
a fairly tense experience



Thank You!

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