



# Risk management

June 2020

## Dear CEO Letter

### MATERIAL FINDINGS:

1) A lack of focus on risk management

***“Compliance frameworks tend to be more mature in licence holders with the broader risk management frameworks less mature”***

2) A lack of risk expertise

3) AML/CFT concerns

# RISK MANAGEMENT FRAMEWORK

## KEY COMPONENTS:

- Board Governance
- Recognising & Understanding of Risks
- Documented Risk Appetite
- Ongoing Monitoring & Reporting

## Governance pillar

- Recognising and approving the perceived risks to the business
- Approving a risk appetite statement or policy
- Approving the policies and controls that support risk management
- Embedding risk management into BAU
- Having oversight of the effectiveness of risk management

## Knowledge pillar

- Who knows risk best within your business?
- Has the pandemic changed your approach to risk management?

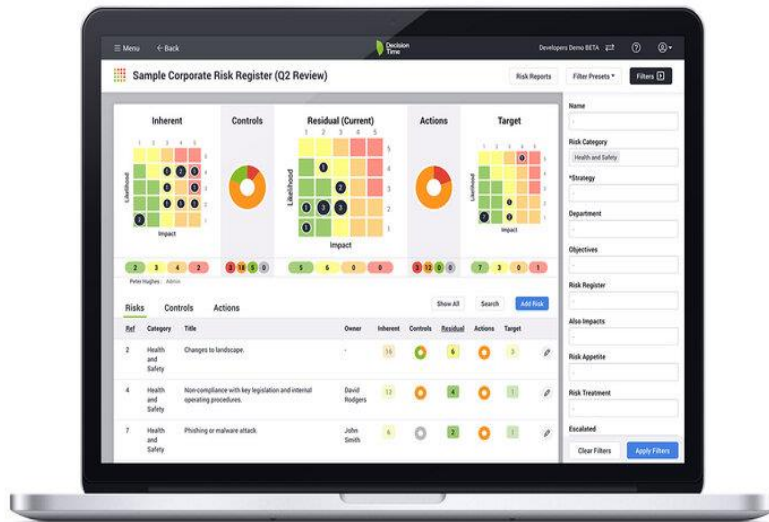
## Direction pillar

- Ownership of risk
- Risk parameters
- Alignment of risk appetite with strategy

## Feedback pillar

- How is monitoring achieved?
- What management information is the board receiving?
- Movement identification and reporting
- Other risk identification sources

## A potential tool



- <https://vimeo.com/386240738/e7ed8936a7>



## AML/CFT

- Business Risk Assessment
- Customer Risk Assessments
- Enhanced Due Diligence
- Technology Risk Assessments

## Learning points

- Failure to record risk assessments in accordance with the Code
- Not operating an appropriate risk management framework and methodology
- Not monitoring the effectiveness of the risk function
- Open discord amongst the senior team with regard to risk management

## CONCLUSION

- Accept that risk exists and understand the risks
- Implement a documented Risk Management Framework that is proportionate to the business
- Does not need to be over-complicated, over-engineered or over-expensive
- Ongoing monitoring

ANY QUESTIONS?

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