

Risk Appetite Statements and Frameworks

WORKSHOP

The setting of an organisation's Risk Appetite is a critical component of a robust risk management framework. This workshop is focused on improving knowledge and skills in relation to setting Risk Appetite and Tolerance for all of your organisation's key risks and developing a comprehensive Risk Appetite Framework.

The workshop covers all aspects necessary to develop a comprehensive Risk Appetite Framework and Risk Appetite Statement at the corporate level. It also covers the cascading and operationalising of the appetite through the organisation using a range of artefacts so it can be used to evaluate and report risk levels as well as assist in making risk / reward based decisions.

Course Highlights

IN-DEPTH LEARNING

- An in-depth understanding of Risk Appetite and Tolerance as it relates to a range of different risk types
- An appreciation of the external requirements and guidelines about Risk Appetite setting
- An understanding of who is responsible for developing, setting and owning the Risk Appetite
- An understanding of how Risk Appetite can be articulated for a range of risk types
- The ability to determine a Risk Appetite for each key risk category
- The ability to set meaningful likelihood and impact scales for risk assessment which reflect the Risk Appetite set by the board
- How to document the Risk Appetite in the Risk Appetite Statement
- Understand the nature of a Risk Appetite Framework and how it should be integrated into the overall risk management framework
- How to cascade, operationalise and embed the Risk Appetite using a range of artefacts, including key risk indicators
- How to use Risk Appetite as a basis for Board risk reporting

PRACTICE

- Case studies and exercises are used throughout the course to reinforce concepts covered
- Participants will develop a draft risk appetite statement to take away

Meet Your Presenter - David Tattam



David Tattam is the Director of Research and Training at The Protecht Group and author of "A Short Guide to Operational Risk". He is recognised internationally as a specialist in all facets of risk management and in particular, enterprise risk management. Prior to founding Protecht in 1999, he held roles as the Head of Operations and Risk Management at two international banks, WestLB and The Industrial Bank of Japan.

His career also spanned 7 years with PwC. David is currently active in consulting to and training in a wide range of industries in relation to setting up risk management functions and implementing enterprise risk systems.

He has trained more than 25,000 people worldwide and he is now excited to be bringing Protecht's training to the UK.

Course Outline

1. RISK APPETITE—WHAT DOES IT MEAN?

- The concept of Risk Appetite
- Appetite, Tolerance, Capacity

2. EXTERNAL GUIDANCE ON RISK APPETITE

- Regulations and standards requiring Risk Appetite
- ISO 31000 and Risk Appetite
- Market guidance

3. HOW SHOULD RISK APPETITE BE USED?

- As a basis for decision making
- As a basis for setting strategy and objectives
- Risk evaluation and prioritization, escalation, reporting and follow up

4. ARTICULATING RISK APPETITE

- Traditional articulation methods
- Which risks to articulate appetite for? (Types, Inherent / Residual)
- Ways risk can be measured and appetite articulated?

5. SETTING EVALUATION AND ESCALATION ZONES

- How many different zones are required?
- What does each zone mean?

6. SETTING AN OVERALL QUALITATIVE RISK APPETITE STATEMENT

- Format to use
- Which qualitative descriptors should we use?

7. DETERMINING AN APPETITE AROUND PERFORMANCE OBJECTIVES

- Linking Risk Appetite to strategy and objectives
- Determining the thresholds between evaluation zones for each objective

8. SETTING LIKELIHOOD AND IMPACT SCALES

- Scales for Likelihood and Impact
- The number of scale levels
- Determining the scale thresholds

9. USING KEY RISK INDICATORS TO ARTICULATE TOLERANCE LEVELS

- Determining which key risk indicators to use
- Setting KRI thresholds

10. SETTING RISK TOLERANCES FOR FINANCIAL RISKS

- Which measures can be used where data is plentiful?
- Examples of key financial risk measures

11. SETTING RISK TOLERANCES FOR OPERATIONAL RISKS

- Which measures when data is not plentiful
- Examples of key operational risk measures
- What about zero tolerance risks?
- Setting key risk indicator thresholds to reflect appetite

12. SETTING RISK TOLERANCES FOR STRATEGIC RISK

- Identifying relevant KRIs
- Using a “worst case scenario” approach
- Setting key risk indicator thresholds to reflect appetite

13. A FRAMEWORK FOR SETTING AND MAINTAINING APPETITE LEVELS

- Who sets the Risk Appetite? – Roles and Responsibilities
- The process of setting the appetite

14. DOCUMENTING THE RISK APPETITE

- Content and Format – A blueprint RAS
- Review and updating the RAS

15. INTEGRATING RISK APPETITE INTO THE RISK FRAMEWORK

- Use in risk processes
- Use in escalation and driving follow up action
- Use in reporting

16. A FRAMEWORK FOR SETTING AND MAINTAINING APPETITE LEVELS

- Linking Board reporting back to the RAS
- A proforma Board risk report
- Managing by exception

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