Top 10 operational risks for 2018

February 2018 – Risk.net staff
In a series of interviews that took place in January and February 2018, Risk.net spoke to chief risk officers, heads of operational risk and senior practitioners at financial services firms, including banks, insurers, asset managers and infrastructure providers. Based on the op risk concerns most frequently selected by those practitioners, we present our ranking of the industry’s top 10 operational risks for 2018.

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Three ways to improve stress testing

February 2018 – Ahraz Sheikh (Independent Consultant)
Following the global financial crisis (GFC), the Basel Committee placed a heavier reliance on the role of stress testing in ensuring the stability of the financial services sector. Previously, stress testing was weakly defined, and primarily focused on market risk through the sensitivity analysis of portfolios to univariate and multivariate market shocks over short time horizons. After the crisis, it was reformulated to assess the impact of hypothetical stress scenarios across all material portfolios.

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Pillar 2 moves to center stage for op risk capital

February 2018 – Steve Marlin (Risk Management Writer)
The transatlantic divide that exists between US and European banks on expected changes in operational risk capital under Basel III could be smaller than it first appeared. While European banks in general will likely see an increase in their capital requirements, and US banks a decrease, the differences may be offset at least in part by Pillar 2 adjustments.

For European banks tipped to see a steep rise in Pillar 1 capital under the new approach, such clemency would be good news.

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Quants needed: how finance can use power of quantum tech

February 2018 - Luke Clancy (Risk Management editor)
Are you a quant, working in finance? Do you have painful, hours-long computations to perform? Know a bit about physics? If so, IBM wants to hear from you.
The technology giant’s research arm believes it will be able to deliver quantum computing-based solutions for financial firms within the next three years that will revolutionise the way numbers are crunched. Now, it needs help identifying the best applications.

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Risk Management Pay on the Rise

**February 2018 – Morgan O’Rourke (Director of Publications at Risk and Insurance Management Society)**

Risk management professionals in the United States saw a 3.5% average increase in their base salary last year, according to the 2017 RIMS Risk Management Compensation Survey, while their Canadian counterparts received a 2% bump.

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FRTB: banks grapple with hard-to-model risks

**February 2018- Louie Woodall (deputy editor for Risk.net’s risk management desk)**

This week, the Basel Committee on Banking Supervision convened its policy development group in Madrid, with a lengthy to-do list.

The publication of Basel III in December marked the end of a years-long effort to finalise post-crisis reforms of the regulatory capital framework – accompanied by a prolonged lobby battle by the industry. But for one aspect of the rules – the revised market risk framework – the battle is just beginning.

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FCMs warn EU client-clearing rules could increase risk

**February 2018 – Nazneen Sherif (Quant finance editor)**

Draft rules that are designed to improve access to derivatives clearing for smaller counterparties in Europe might expose clearing members to riskier clients, banks are warning.

The rules require futures commission merchants (FCMs) to provide their services under fair, reasonable and non-discriminatory commercial terms – known as Frand. Regulators have not provided further clarification on the definition of each term, which FCMs worry could limit their ability to vet and reject clients.

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Webinar: Valuation of Large Variable Annuity Portfolios: Monte Carlo Simulation and Benchmark Datasets

March 16th, 2018 – Guojun Gan, Emiliano A. Valdez (Department of Mathematics at University of Connecticut, USA.)

To facilitate the development and dissemination of research related to the efficient valuation of large variable annuity portfolios, this paper creates a large synthetic portfolio of variable annuity contracts based on the properties of real portfolios of variable annuities and implements a Monte Carlo simulation engine for valuing the synthetic portfolio.

Time: March 16th, 2018 at 16:00 EST (https://iaaevents.webex.com)

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5th African Actuarial Congress

15–16 March 2018, Casablanca, Morocco

The International Actuarial Association, in collaboration with the Moroccan Association of Actuaries, is organizing the 5th African Actuarial Congress, to be held in Casablanca on March 15th and 16th, 2018 at the Hotel Sofitel Tour Blanche. This event follows the international congress in November 2016 in Cape Town, South Africa, which brought together over 160 participants from 15 African countries and other regions of the world.

Find out More About the Event
31st International Congress of Actuaries (ICA 2018)
4–8 June 2018, Berlin, Germany

Like no other metropolis in Europe, Germany’s capital symbolizes the breakdown of old structures and the beginning of a new era of understanding and cooperation. May the unique atmosphere of a city that has re-invented itself in recent decades inspire you to be an integral part of a vibrant International Congress of Actuaries in 2018. Come and join colleagues working together, at an event without cultural or geographical barriers.

Find out more about the ICA 2018