AFIR-ERM
Finance, Investment & ERM

REFERENCE LIST
January 2019

Article of the month:

Investors should fire directors who fail to act on climate change

January 2019. Natasha Landell-Mills (Head of Stewardship at Sarasin & Partners)

Investors have started to call loudly for action on climate change, but few are following up their words adequately with deeds. More specifically, very few shareholders are voting against directors at companies that have shown themselves to be either oblivious or dismissive of climate risks.

As the 2019 proxy voting season approaches, we must up the ante. Investors should seek to fire directors who have become obstacles to building climate resilience. Shareholders should also vote against using auditors who fail to ensure prudent accounting of material climate risks.

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Investing Prophet Jeremy Grantham Takes Aim at Climate Change

January 2019. Ben Steverman (Writer at Bloomberg News)

Terrifying an audience is one of Jeremy Grantham's specialties. The legendary investor, co-founder of Grantham Mayo Van Otterloo (GMO), is famous for predicting doom. And he's famous for being right, with a remarkable record of spotting investment bubbles before they pop, notably the 2000 tech crash and 2008 financial crisis.

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Green asset classes are proliferating

December 2018. The Economist.

If the world is to tackle global warming, vast amounts of money—\$3.5trn annually from now until 2050, according to the International Energy Agency, a forecaster—will have to flow into clean-energy research and generation. Capital will have to shift from carbon-intensive industries into clean ones. That means asset managers will have to offer more green investment products, and regulators will have to set standards that enable investors to make green choices.

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Fish farms bring former luxuries within reach of many — at a price

January 2019. Mure Dickie (FT Scotland correspondent; formerly Tokyo bureau chief and correspondent in Beijing and Taipei)

The rise of fish farming has been one of the biggest revolutions in food supply of the past half century, with annual global aquaculture output soaring from under 2.5m tonnes in 1970 to over 80m today, according to UN data.

The increase in supply has helped make fish and shellfish more affordable for consumers around the world. It has also democratised consumption of former luxuries and helped ease the strain on hard-pressed wild stocks.

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How to manage corporate reputation? The effect of enterprise risk management systems and audit committees on corporate reputation

January 2019. Clara Pérez-Cornejo, Esther de Quevedo-Puente, Juan Bautista Delgado-García. (Departamento de Economía y Administración de Empresas, Universidad de Burgos)

Research on corporate reputation has generally argued that reputational risk, or risk of reputation loss, stems from all company risks. As companies use enterprise risk management (ERM) systems to manage all their risks, we analyse the effect of ERM system quality on corporate reputation. Furthermore, as audit committees are in charge of supervising ERM systems, we analyse the effect of audit committee characteristics (i.e. independence and independent members' knowledge and diligence) on corporate reputation through their effect on ERM system quality.

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The Journey from Model Validation to Model Risk Management

February 2018. Philip Whittingham BA (MBA ACII CFIRM, Chair, IMIF)

The paper argues that model risk should be managed like any other risk through the implementation of a thorough framework to help identify, assess, mitigate and monitor the risk. The paper leverages experience in the banking industry where there has been an increased focus from regulators recently which might soon extend to insurance companies given the importance in both industries.

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One-quarter of market risk not modellable

January 2019. Louie Woodall & Abdool Fawzee Bhollah (editors of Risk Quantum)

Around one-quarter of large banks' market risk capital charges are calculated using regulator-set standardised approaches, Risk Quantum analysis shows. The median bank out of a sample of 48 firms had 25% of their market risk capital requirement determined using the SA and 75% using the internal models approach (IMA) during the first half of 2018.

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A conditional equity risk model for regulatory assessment

November 2018. A. Floryszczak, J. Lévy Véhel and M. Majri

We define and study in this work a simple model designed for managing long-term market risk of financial institutions with long-term commitments. It allows the assessment of solvency capital requirements and the allocation of risk budgets. This model allows one to avoid over-assessment of solvency capital requirements specifically after market disruptions. It relies on a dampener component in charge of refining risk assessment after market failures. Rather than aiming at a realistic and thus complex description of equity prices movements, this model concentrates on minimal features enabling accurate computation of capital requirements. It is defined both in a discrete and continuous fashion.

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These Are the Biggest Geopolitical Risks of 2019

January 2019. Ian Bremmer (President of Eurasia Group, a political-risk consultancy)

The geopolitical environment is the most dangerous it's been in decades, and yet the global economy is faring well. Markets are taking hits and (mostly) bouncing back.

What's wrong with this picture? Nothing … yet. The most serious geopolitical risks (a cyber confrontation with Russia, war with Iran, implosion in Europe, a true U.S.-China trade war) are more plausible than they've been, but none are particularly likely to play out in 2019. We are heading for serious longer-term trouble down the road, however. That's the first of Eurasia Group's Top 10 risks this year.

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BrokerTec outage serves as 'systemic risk' wake-up call

January 2019. Robert Mackenzie Smith (staff writer on the derivatives desk for Risk.net)

An outage on BrokerTec that shut down trading of US Treasuries for nearly an hour and a half earlier this month has renewed concerns that the platform represents a single point of failure in arguably the world's most important bond market.

"It woke everybody up, showing that there is systemic risk. We were very fortunate that it was a Friday afternoon and not too much was going on, but it could have been at a much worse time," said Dawn Newsome, chief technology officer for rates trading.

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The Actuary Magazine:

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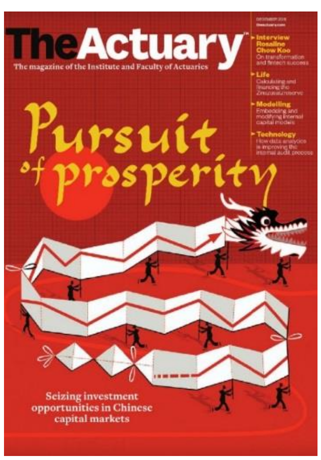

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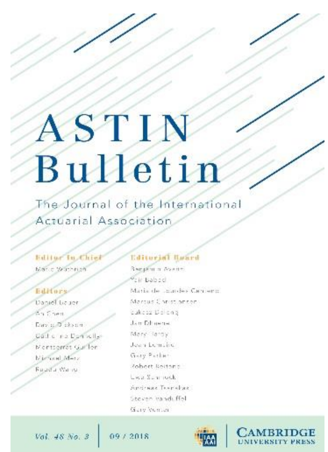


Irish SoA Database:

https://web.actuaries.ie/press/erm-resource-database

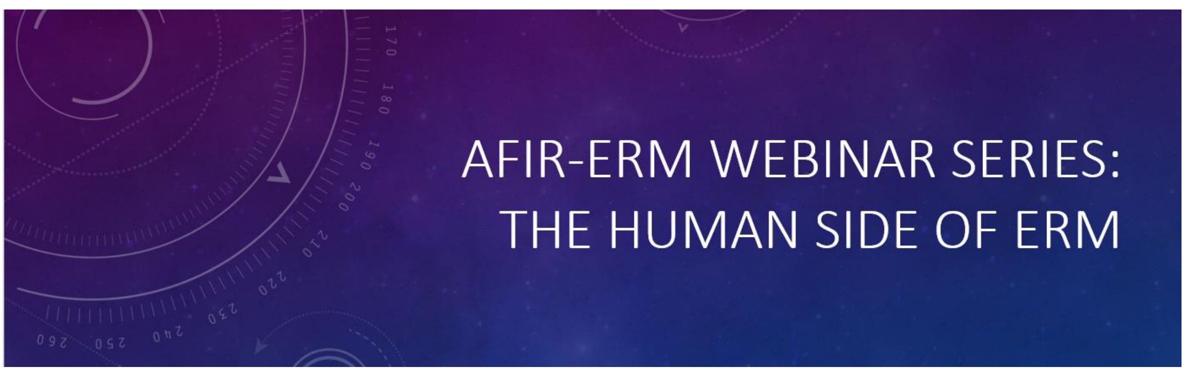
UPCOMING EVENTS

AFIR-ERM Colloquium, Florence 2019

21st to 24th May 2019. Florence, Italy

The Istituto Italiano degli Attuari and Ordine degli Attuari (ISOA) and the AFIR-ERM Section are pleased to invite you to the AFIR-ERM Colloquium 2019: "Innovating Actuarial Research on Financial Risk and ERM", that will be held from 21 to 24 May 2019 in Florence, Italy, the cradle of Renaissance. Come enjoy from its artistic heritage as you walk along in an "open-air museum". Find out more about the event.

Find out more



Webinar Series with Dave Ingram (CERA, FRM, PRM, FSA, MAAA, and member of AFIR-ERM)

6th February, 2019. Rational Adaptability and ERM

8th May, 2019. Risk Intelligence

11th September, 2019. Risk Culture

11th December, 2019. Risk Appetite/Tolerance

Before, during and after the Financial Crisis, financial institutions can be seen to have been acting rationally, but only if you can admit that in the absence of a perfect view of the future, there are a number of different rational ways to imagine how the future will unfold. An idea is at the core of the anthropology theory of Plural Rationality. This webinar will explain how this theory provides vast explanatory power to understand the variety of approaches that have been and that are taken by financial institutions in response to risk.

Find out more

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UPCOMING EVENTS

FX Briefing in Frankfurt

12th February 2019. Frankfurt, Germany.

Risk.net, CME Group and BNP Paribas are set to host the second Risk FX Briefing in February 2019, this time in Frankfurt. This compact half-day event will feature an esteemed line up of industry professionals who will delve deep into the biggest challenges being faced by the investment and corporate community in Europe.

The briefing will give insights into the most pressing issues in the industry and get a crucial update on major themes in FX markets.

Find out more