



Article of the month:

Building an EERM Toolkit

March 2019. Dan Kinsella (Deloitte Risk and Financial Advisory partner)

More enterprises are waking up to the importance of extended enterprise risk management (EERM)—the process of identifying and managing risks that come to the organization through third parties, vendors and other external sources. As the use of cloud services and other third parties continues to grow, EERM program maturity is becoming increasingly important to mitigate risks, safeguard compliance and drive business value and efficiency in the process. A Deloitte poll revealed that the majority of respondents (70%) indicated a moderate to high level of dependency on external entities, with nearly half (47%) of respondents saying that their organizations had experienced some sort of risk incident involving the use of external entities in the last three years.

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Market-Making Costs and Liquidity: Evidence from CDS Markets

March 2019. Mark Paddrik & Stathis Tompaidis (Research at the Office of Financial Research, US Treasury Department)

In over-the-counter markets, dealers facilitate trading by becoming market makers. The costs dealers face, including the cost of holding inventory on balance sheet, and the ease, or difficulty, of reducing their positions, determine the degree of liquidity they provide. We provide a stylized model to examine the implications of these costs on dealer behavior and market liquidity. We find that transaction prices between dealers and clients have progressively become more dependent on the inventories of individual dealers rather than on the aggregate inventory across all dealers...

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How emerging-market local-currency bonds might fit in your portfolio

March 2019. A report by The Economist Intelligence Unit

Investing in emerging markets opens up a broader set of opportunities. GDP growth is generally faster, as there is greater scope to benefit from existing know-how than in rich economies. The business cycle is different, too. There is a spectrum of risk assets to choose from. The cautious prefer hard-currency bonds, which pay in dollars and are issued by governments and firms.

Further along the spectrum are racier bets. Shares carry the same hazards in emerging markets...

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China's economy might be nearly a seventh smaller than reported

March 2019. A report by The Economist Intelligence Unit

For a country that is regularly accused of manipulating its statistics, China is remarkably diligent about collecting them. The government has dispatched two million boffins to visit companies, stores and even street stalls in the first few months of this year, as part of a new national economic census. Ads plastered on billboards implore people to co-operate. In a flashy promotional video on its website, the national statistics bureau warns that any fabrication of data is against the law.

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Value investing is long on virtue but has been short on reward

February 2019. A report by The Economist Intelligence Unit

In a comedy sketch from the 1980s, Rowan Atkinson plays the devil as a cross between a package-holiday guide and a louche English bureaucrat. Dressed in a smoking jacket, he welcomes the damned to Hell and, consulting his clipboard, sorts them into groups. Lawyers? Join the thieves and murderers over there. The French? Come down here with the Germans. Atheists? You must be feeling pretty silly. And finally, Christians? I'm sorry, your faith was an error.

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The Risks Of Dirty Data And AI

March 2019. Jason Compton (Brand Contributor Forbes, former editor of CRM Magazine)

An artificial intelligence (AI) is only as useful as the data used to train it. Training AI with dubious data leads to questionable decisions.

An AI project should thus give a thorough airing to ethical considerations from the very second it launches—since the assumptions, experiences, prejudices and mental habits of the human beings who create each input, and interpret each output, will inevitably inform it.

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13 Steps To Safeguard Your Business Against Future Financial Risks

March 2019. Expert Panel Forbes

Starting a business is never easy—and starting is only the first hurdle. There are many factors that can lead to unexpected financial loss, such as employee turnover, high insurance premiums and more. Running a business is always a matter of balancing potential risks against expected outcomes. Unexpected hurdles can be confusing or difficult for business owners to navigate, especially if they are new to their industry or to business leadership. It's important to be aware of the simple steps that can be taken to safeguard a business' finances against future risks.

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Stock Market Déjà Vu - A Significant Risk Reemerges

March 2019. John s. Tobey (Personal account manager, former multi-billion dollar funds manager)

This year's stock market has a striking similarity to the 1930 bull rise following the 1929 crash.

Here is how that period evolved:

- The underlying cause of the 1929 Great Crash was slowing growth concerns
- The initial market drop occurred in the midst of a strong bull rise
- The Great Crash was over and done in a short time (2-1/2 months)
- ...

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REFERENCE LIST

March 2019

Strategy: Pension funds confront FX risk

March 2019. Dewi John

Investors are paying more attention to currency hedging strategies in the face of increased global risk. For those looking for contenders for currency risk, this year offers a smorgasbord of them – trade wars, slowing growth in China and Europe, and the potential for shifting base rate differentials, just for starters. How such different forces combine into a single vector is not easy to determine. As the Danish physicist Niels Bohr is reputed to have said, “it’s difficult to make predictions, especially about the future”.

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The Most Innovative Companies: An Interactive Guide

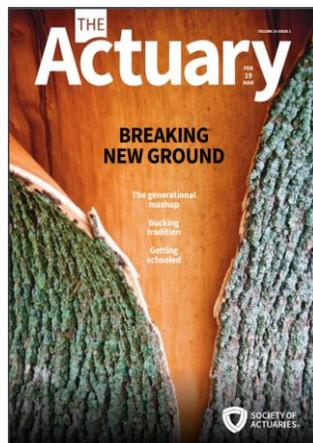
March 2019. The Boston Consulting Group

This interactive guide shows how Boston Consulting Group’s list of the year’s 50 most innovative companies has changed over time. The ranking is based on three factors: global innovation executives’ votes for the most innovative companies outside their industry, their votes for the most innovative companies inside their industry, and company financial performance. For more details about BCG’s methodology, click on the About button above.

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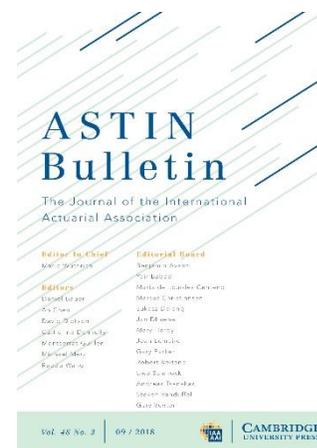
The Actuary Magazine:

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ASTIN Bulletin:

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Irish SoA Database:

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



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UPCOMING EVENTS

QUANTITATIVE RISK MANAGEMENT

Quantitative Risk Management

10th April 2019. Intercontinental Hotel, Bulgaria

Modern risk assessment practice is its ability to quantify risks to be relevant for financial sustainability and sound business decisions. This is an Enterprise Risk Management workshop for delegates in the Life Insurance and Pension sectors, with a special focus on risk-based product development.

This workshop will be presented by Dr. Ermanno Pitacco, from the Faculty of Economics, University of Trieste and the MIB Trieste School of Management.

[Find out more](#)



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](#)

[Florence AFIR Colloquium 2019 FLYER now available!](#)

You will find the program for the event, Registration for the Colloquium and AFIR-ERM Section, Location and more.



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UPCOMING EVENTS

AFIR-ERM WEBINAR SERIES: THE HUMAN SIDE OF ERM

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



Coming Soon: In-person seminars in Poland and Tokyo!
