REFERENCE LIST

July 2018

Article of the month:

Spotlight on the Derivatives Market Structure

July 2018 – Independent research by Chartis

Derivatives have a unique relationship to risk. The derivatives market, at its heart, facilitates the transfer to different parties of the risks and rewards associated with commercial or financial outcomes. As financial instruments, however, derivatives can be complex and abstract – qualities that can lead to mishandling and misuse, with systemically catastrophic results. Derivatives have, to varying degrees, been behind some of the biggest booms and busts of recent years – notably the crash of 2008.

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The Business Impact of Trump Tariffs

June 2018 – Lori Widmer (risk management & insurance)

In March, the Trump administration sparked an outcry by announcing that it would impose import tariffs of 10% on aluminum and 25% on steel, following earlier tariffs on solar panels and washing machines. Representatives from the retail, automobile, manufacturing, construction and information technology -industries, the U.S. Chamber of Commerce, and various trade groups all expressed concerns about the potentially detrimental effects of the tariffs.

Although the stated intent of the tariffs was to protect American workers and the U.S. economy, not everyone was convinced. Financial markets plummeted after President Trump tweeted on March 2 that "trade wars are good, and easy to win," and other governments, including key allies, spoke out against the move. In a complaint filed with the World Trade Organization, South Korean officials labeled the steel tariffs as "unjust" and "inconsistent with the United States' obligations." The Chinese Commerce Ministry declared the tariffs "a serious attack on normal international trade order" and immediately slapped tariffs on 128 U.S. products in retaliation.

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FRTB: trade bodies reveal threat to risk factor modellability

July 2018 – Louie Woodall (Editor of Risk Quantum, used to cover equity derivatives and structured products for the derivatives desk)

An array of popular derivatives products traded by banks would incur large capital add-ons under the current version of the Basel Committee's market risk rules because of seasonal lulls in supply and demand.

The framework, known as the Fundamental Review of the Trading Book (FRTB), assigns capital charges to a bank's trading book based on its sensitivity to certain risk factors. A bank's sensitivity to a risk factor can be gauged using internal models if it has sufficient trading data to do so.

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July 2018

Banks still face risk of Fed disapproval on exposure limits

July 2018 – Joanna Wright (financial regulation desk, risk.net)

The US Federal Reserve has in theory relaxed its final rules on large banks' exposure limits to a single counterparty, but experts say there could still be anxiety over how to identify whether counterparties are inter-related.

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CLS seeking legal fix for Brexit settlement threat

July 2018 – Luke Clancy (financial journalist, senior investment writer.)

Critical foreign exchange service CLS hopes EU27 member states will tweak domestic rules, to ensure European firms using its London entity still enjoy insolvency protection in the event that the UK leaves the European Union without a Brexit deal next March.

A CLS spokesperson says in an email: "CLS is proactively engaging with relevant regulatory authorities and its members in certain European Economic Area jurisdictions, with the aim of ensuring that, in respect of legislation that is important.

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Better be ready, come what may

July 2018 – Ruston Smith (Independent Non Executive Chairman, Director and Consultant: Pension Funds, Asset Managers, Companies and Charities)

Fundamentally, the sole purpose of pension funds is to pay the right benefit, to the right person, at the right time. This ideally means having the correct amount of cash lined up to meet the payments as they are made. But there is an increasing challenge. About 55% of FTSE 350 pension funds are now cashflow negative, with the number expected to increase to over 80% over the next 10 years, according to Mercer 's 2017 Asset Allocation Survey.

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The Benefits of Diversity & Inclusion Initiatives

July 2018 – Russ Banham (Pulitzer Prize-nominated journalist)

Many workplaces today reflect the exceptional diversity of the United States. Proud of their workforce diversity, companies highlight it on annual report covers and in recruitment and marketing materials. But beyond looking diverse, are these workplaces actually inclusive?

No figures or statistics can adequately answer that question, but the fact is that without inclusion—the feeling that one is of equal standing to other members of a group—diversity has little value other than for appearances. Companies miss out on the significant business opportunities that can be gained from the varying perspectives and innovative approaches of people of different ages, races and national origins.

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July 2018

Exporting Risk

July 2018 – Kevin Norton (Consultant)

The red flags around Peter Zuccarelli were plain to see: Two failed businesses and another in dire financial trouble. Multiple lawsuits against him and his companies. A tax lien on his home. Zuccarelli was the perfect mark for foreign intelligence operatives looking to procure advanced technology that their own local companies could not produce. By the time authorities caught up with him, he had successfully purchased and shipped radiation-hardened integrated circuits to China and Russia. These highly sensitive microchips are manufactured to withstand extreme environmental conditions, making them essential hardware for military systems like satellites and missiles. As such, their sale and distribution are tightly controlled. Only U.S. companies or foreign buyers that are approved by the U.S. government can purchase them. In August 2017, Zuccarelli pled guilty to facilitating illegal exports.

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The Actuary Magazine:

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Irish SoA Database:

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

UPCOMING EVENTS

Webinar: Reinventing financial crime investigation: From transaction to entity risk

2nd August 2018, Webinar

In battling financial crime and risk, monitoring and detection is only half the battle. Too often, financial services organisations (FSOs) find themselves mired in investigations that are narrowly focused on single alerts or cases without gaining a holistic view of entity risk. What's more, these investigations take way too much time and require unending growth in person-power.

[Find out more]

13th annual Risk Australia conference

16th August 2018, Sydney, Australia.

Asia Risk is delighted to present our 13th annual Risk Australia conference, the leading incubator for risk practitioners and investment professionals to share best practices in financial risk management in the region.

Join leading experts from banks, asset managers, pension funds, insurers and regulators to discuss the latest regulatory development, investment strategies to mitigate market volatility and innovative solutions in managing across different risk types.

[Find out more]

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UPCOMING EVENTS

Identifying Preventative Key Risk Indicators

22nd & 23rd August 2018, New York.

Useful, preventive key risk indicators (KRIs) flag rises in risks before incidents occur. It is possible to design preventative KRIs, provided organisations understand their risk drivers and are willing to take a renewed look at their reporting practice on performance and controls.

Through a combination of presentations and practical exercises, this seminar offers a full review of the role and attributes of KRIs in financial services. It clarifies some confusing ideas about KRIs and offers insight on their role in a risk management framework. The seminar also reviews many examples of the best performing KRIs in banking and financial markets activities and proposes a step by step methodology to select and design preventive KRIs.

Find out more

13th annual Risk Australia conference

13th September 2018, Singapore.

This is the 19th year of Asia Risk magazine's awards. The awards recognise best practice in risk management and derivatives use by banks and financial institutions around the region. Submissions are now open and will close on July 13. The awards ceremony will take place on 13 September at the Marina Bay Sands in Singapore.

Find out more

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UPCOMING EVENTS

Risk Management Perspectives Conference 2018

12th October 2018, Convention Centre Dublin

The Society of Actuaries in Ireland is pleased to announce the date for the Risk Management Perspectives Conference 2018, which will take place on Friday 12th October 2018 in the Convention Centre Dublin. The “Risk Management Perspectives” conference will provide attendees with insights into the challenges and opportunities that risk management creates for organisations.
Find out more