

The Sector Skills Council for
the Financial Services Industry

Financial Services

Skills Council

National Occupational Standards

Risk Management for the Financial Sector

IMPORTANT NOTES

These National Occupational Standards have been developed for use across the Financial Services Industry by the Financial Services Skills Council (FSSC) as part of a project involving financial services and risk practitioners.

In developing the content of these standards, the following underpinned the ethos for the development working group and helped drive the shape of the Standards material.

The impetus for a 'risk-based' culture or approach to business conduct must be set and disseminated by the financial organisation's Board, or equivalent body, and be embedded at all levels of the organisation. It is the duty of the risk manager to ensure that 'ownership' for identified risks is assigned and that the organisation's risk strategy and policy are implemented effectively.

National Occupational Standards (NOS)

This suite of National Occupational Standards (NOS) is for firms of all sizes, and covers a range of levels of staff. FSSC recognises that very few people will carry out all of the functions described in the full suite of standards – each user should select the combination of units that is most appropriate to their job role; this may be only 4 or 5, or it could be 9 or 10.

Generic Functions

Some job roles may involve more generic functions such as general management or customer service – there are existing standards available for these functions which have not been included in this document, but which are available by searching the NOS Directory, www.ukstandards.co.uk. By following a 'pick and mix' approach it is possible to build up a set of standards that is unique and tailored to your job role.

Risk Management-Related Functions

Some of the units in this suite of NOS have been taken from existing standards for Compliance and Anti-money Laundering and adapted to be relevant to Risk Management; many units have been written from scratch. The range of units covers credit, market, liquidity, insurance underwriting and operational risk, with discrete units for very specific subjects such as capital adequacy.

The Risk Management Function

FSSC recognises that job roles and responsibilities vary in organisations of different sizes and specialisms. Some organisations may have a separate risk management function; in other financial organisations risk management might sit within another area or function, such as Compliance; in others it might be more closely aligned with Internal Audit. These standards have been written to be relevant to risk management, but with the recognition that cross-overs between roles do occur in certain circumstances.

However the risk management function is allocated in individual organisations, its successful implementation can commonly be aligned to a number of individual characteristics or personality traits of the risk manager, such as integrity, resilience, persistence and determination. A successful risk manager will be forward-thinking and pragmatic in outlook and keep a keen eye on 'the bigger picture', such as world events and the actions, successes and failures of their competitors.

Scope for these NOS

The development process for this suite of NOS began with discussions around their scope – i.e., what should, and what should not be covered. This was defined in what is referred to as a 'key purpose' statement, which sets the foundations upon which the standards were built. The development working group agreed the following 'key purpose' for risk management for the financial sector:

“To safeguard an organisation, its reputation, assets and the interests of stakeholders (including customers) by identifying, managing and reporting threats to achievement of its business objectives”

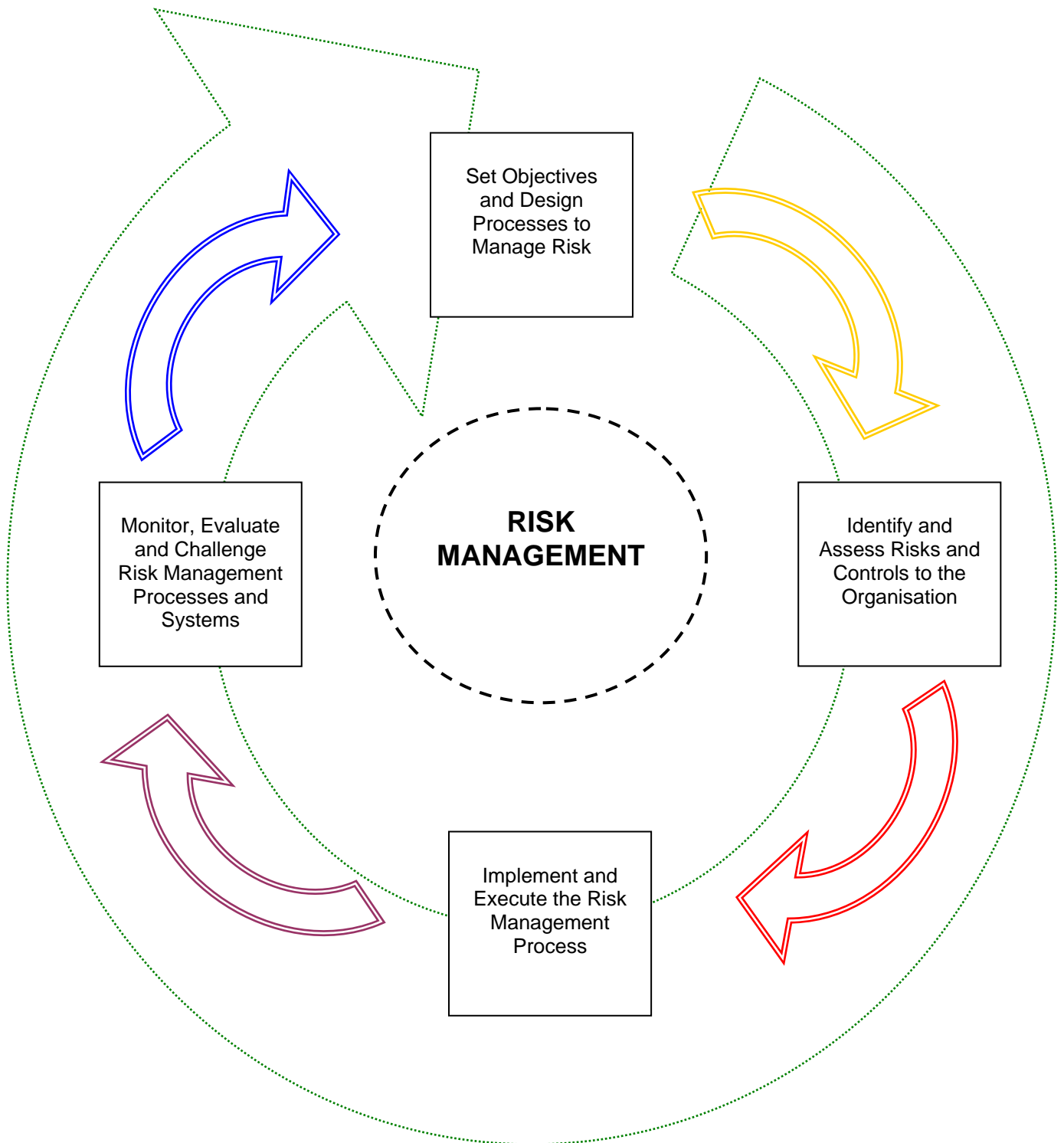
The 'key purpose' formed the starting point for the development process.

An integral part of setting the key purpose was to identify the types of risk to be covered by the standards – those specific to financial organisations, and generic aspects. These were agreed to include: credit, market, liquidity, insurance underwriting and operational risks.

It was noted that risk and uncertainty produce opportunity as well as threat for organisations. This has not been written into every aspect of the standards, but should be kept in mind.

The NOS in this document have been developed to cover the four broad functional areas depicted in the diagram on page 4.

The Risk Management Process



Notes on the standards

Throughout this suite of standards FSSC has aimed to use terminology that is recognised by risk management professionals in the financial sector, and to be consistent with that used by the Institute of Risk Management and the British Standards Institute, Risk Management – Code of Practice.

The working definitions for different types of risk have been taken from sources recognised by the financial sector, for example, Basel II for market and credit risk.

Each standard is structured as follows:

- **Unit overview** – describes what the unit is about and what it covers
- **Outcomes of effective performance** – state the critical functions that are required in order to meet the standard of competence outlined in the unit title and overview
- **Knowledge and understanding** – underpin the performance statements, i.e., what you need to know to be considered competent
- **Behaviours underpinning effective performance** – explain many of the personal attributes that are required to reach each standard of competence. The 'behaviours' have been chosen to complement, strengthen and contextualise the performance statements and knowledge requirements

The text in **bold** type in the Outcomes, Knowledge and Understanding and Behaviours sections of each unit is defined in the Glossary to these standards.

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Unit: RM01 Establish risk strategy and policy for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for setting a financial services organisation's risk strategy and policy. You must work with the executive management team to set the risk management strategy and policy, establishing the level of risk which your organisation is prepared to accept in delivering its business objectives. By doing this, you will establish your organisation's overall approach to risk management.

Outcomes of effective performance

You must be able to do the following:

- | | | |
|--------|---|--|
| RM01/1 | Define the objectives and purpose of risk management for your organisation by reference to the corporate strategy and objectives | consistent with your organisation's overall vision and strategy for risk management |
| RM01/2 | Document your organisation's risk appetite and associated tolerances | RM01/9 Document the risk management policy and seek Board-level approval |
| RM01/3 | Identify relevant types of risk, including the implications of financial regulation and legislation for your business | RM01/10 Ensure that risk management, business planning, HR, competencies and incentive policies are all fully aligned to aid effective risk-based decision-making |
| RM01/4 | Refine your organisation's risk management approach and boundaries using appropriate techniques | RM01/11 Maintain your own understanding of the environment in which your organisation operates and how future changes might influence the risk strategy and policy |
| RM01/5 | Weigh the costs and benefits of imposing a range of different controls against the likelihood, impact and shape of a risk event occurring | RM01/12 Ensure that your personal behaviour, actions and words consistently reinforce your organisation's approach to risk management |
| RM01/6 | Identify the process and resources required to deliver the risk management strategy | RM01/13 Communicate agreed values to people across your organisation and motivate them to put these into practice |
| RM01/7 | Identify the system of risk governance (committees, reporting, responsibilities) required for your organisation | RM01/14 Maintain staff awareness of the importance of the risk management framework |
| RM01/8 | Agree, with appropriate levels of management, the values and standards of behaviour that will encourage outcomes | RM01/15 Set in place measures to help develop and enforce the risk management culture of your organisation |

Behaviours underpinning effective performance

- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You seek a clear understanding of the legal, regulatory and commercial environments within which decisions have to be taken
- You seek a clear understanding of the extent and limits of your authority to make decisions
- You do not shirk from proposing or implementing a strategy and policy even though it may be difficult or unpopular
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You select communication styles appropriate to your audience
- You use internal and external networks to support the risk management process to good effect
- You maintain your individual industry knowledge to the benefit of your organisation
- You employ techniques to influence at all levels

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The concept of risk management as applied to financial services
2. Good industry practice in respect of establishing a risk strategy proportionate to, and appropriate for, your organisation
3. The relationship between risk management culture, strategy and performance
4. The principles and methods of managing culture change within organisations
5. The business environment within which your organisation operates, and key market practices
6. Appropriate risk management techniques such as cost-benefit analysis
7. Dominant types of approach to risk management and their strengths and limitations
8. The regulatory framework within which your organisation operates including relevant published standards on the management of risk and how they impact on your organisation
9. The range of risk management options available to your organisation
10. Your organisation's business model and corporate strategy
11. How to link the output of risk management to your organisation's economic capital requirements, its business objectives and financial constraints
12. How to determine your organisation's risk appetite, risk profile and associated tolerances

Unit: RM02 Develop a risk architecture for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for developing the risk architecture in a financial services organisation. A risk architecture defines the roles, responsibilities, communications and the risk-reporting structure. You must be able to establish clear roles and responsibilities for the management of risk and put in place an appropriate reporting structure. Your personal behaviour will reinforce these values and assumptions. You must ensure that policies, programmes and systems support your organisation's values and culture.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|---------|--|
| RM02/1 | Ensure staff awareness of the importance of the risk management framework | RM02/6 | Establish an appropriate communications infrastructure for monitoring and reporting risk and related matters, including losses and near misses |
| RM02/2 | Define the skills, capabilities and resources required for delivery of an effective risk management function within your organisation | RM02/7 | Provide recommendations for monitoring and reporting on the effectiveness of the risk management process |
| RM02/3 | Ensure role profiles reflect individuals' risk management responsibilities and that they are informed by a training needs analysis | RM02/8 | Set in place measures to help develop and enforce the risk management culture of your organisation |
| RM02/4 | Ensure that a system of regular staff appraisal is in place to support the effectiveness of the risk management function | RM02/9 | Ensure that the risk management function is credible in terms of the business and has the appropriate authority |
| RM02/5 | Identify stakeholders in the risk management process and their reporting requirements | RM02/10 | Ensure that the risk architecture is internally coherent in the way that roles, responsibilities, communications and the risk reporting structure are integrated |

Behaviours underpinning effective performance

- You select communication styles that are appropriate to your audience and your message
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You seek a clear understanding of the extent and limits of your authority to make decisions
- You respect the needs and motivations of others
- You identify and explain the benefits to others of the actions you propose
- In managing your work, you identify appropriate priorities and set yourself challenging but achievable objectives
- You focus on results, and take personal responsibility for making things happen

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The concept of risk management as applied to financial services
2. The capabilities required in an effective risk management function
3. How organisational culture and structure can influence achievement of organisational business needs and objectives
4. How good industry practice in respect of establishing an appropriate and proportionate risk architecture needs to be adapted for your organisation
5. The roles and responsibilities for managing risk of departments and key individuals within your organisation
6. Values, assumptions and behaviours that are consistent and inconsistent with your organisation's vision and strategy
7. Effective methods of communicating and monitoring and how these can be applied to your organisation
8. Effective ways of dealing with messages and behaviour that conflict with agreed values and assumptions
9. Your organisation's risk management strategy and policy
10. Your organisation's current organisational culture and risk management ethos
11. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM03 Establish risk protocols for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for establishing a financial services organisation's protocols to be used in the management of risk, and obtaining approval for their use. This will include guidelines, procedures, techniques and standards applicable to the management of risk. You must establish protocols for your organisation that are consistent with its overall vision and business objectives; you must ensure that these support your organisation's values and ethos. Your personal behaviour will reinforce these values and promote the risk management process and culture.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|--------|---|
| RM03/1 | Define acceptable and unacceptable conduct and practices in the management of risk within your organisation | RM03/7 | Ensure that risk management protocols are practical, taking into account the resources required |
| RM03/2 | Identify good practice approaches to risk management and methods for the development of policies and procedures | RM03/8 | Obtain appropriate authorisation for, and acceptance of, risk management protocols |
| RM03/3 | Consider the positive and negative impacts that developing protocols has on your organisation and ensure protocols fit with your organisation's culture and ethos | | |
| RM03/4 | With appropriate support, develop protocols that reflect accepted practices in risk management for identifying, assessing, monitoring and reporting on risks | | |
| RM03/5 | Ensure the aim of your risk management protocols is to protect your organisation's objectives and assets and promote appropriate conduct | | |
| RM03/6 | Ensure that risk management protocols reflect ethical, lawful and regulatory requirements | | |

Behaviours underpinning effective performance

- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You do not shirk from proposing or implementing a course of action even though it may be difficult or unpopular
- You identify and explain the benefits to others of the actions you propose
- You gather and manage information effectively, efficiently, lawfully and ethically
- You carry out tasks in compliance with your organisation's policies and procedures
- You focus on results, and take personal responsibility for making things happen

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Good practice in the development of risk protocols, such as policies, guidelines and techniques
2. How to identify the support needed in order to develop effective risk management protocols
3. How to ensure that the risk management protocols reflect ethical, lawful and regulatory requirements
4. How to recognise and explain conduct and practices that are acceptable and those that are unacceptable
5. Your organisation's values and objectives, culture and ethos
6. The regulatory framework within which your organisation operates and relevant published standards on the management of risk
7. The business environment in which your organisation operates and key market practices
8. The products and services your organisation offers and how the business operates
9. The scope of the risk protocols to be adopted by your organisation
10. The resources required to monitor adherence to risk management protocols
11. Who authorises the risk management protocols, and who else needs to accept and understand the protocols
12. How protocols may need to be adapted to different regulatory environments (domestic and foreign)
13. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM04 Identify risks for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for identifying a financial services organisation's risks to a department, to a project, or to the organisation overall. You must identify and define the risks to business objectives using techniques available to you and appropriate for the task. You must refer to relevant, up-to-date information such as your organisation's risk management policy and other protocols.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|---------|---|
| RM04/1 | Decide on the approach to risk identification and the tools and techniques to be used | RM04/9 | Ensure that risk controls are appropriate and proportional to the nature, scale and complexity of your organisation |
| RM04/2 | Decide on the scope of the exercise | RM04/10 | Establish processes that will ensure information on risks is re-evaluated at appropriate intervals |
| RM04/3 | Identify and gather information required to enable the accurate and timely identification of potential future risks to your organisation | RM04/11 | Ensure that a procedure is in place for the continual identification of new or emerging risks (or material changes to existing risks) and that this is adhered to |
| RM04/4 | Identify risks internal and external to your organisation using appropriate qualitative and quantitative techniques and appropriate to the regulatory framework | RM04/12 | Assign responsibilities for the identification and validation of each risk type |
| RM04/5 | Describe the risks identified using the appropriate language, systems and tools | | |
| RM04/6 | Identify the controls that are available to the organisation | | |
| RM04/7 | Record and report the outcomes of the risk identification exercise to relevant personnel using tools, techniques and templates as set out in risk protocols | | |
| RM04/8 | Ensure that risk owners are assigned to identified risks | | |

Behaviours underpinning effective performance

- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You carry out tasks in compliance with your organisation's policies and procedures
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo
- You are able to apply proportionality when carrying out your tasks

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The different approaches to risk identification such as source analysis, problem analysis, benchmarking, gap analysis, workshops, scenario analysis, process mapping and the relative merits of each
2. The techniques for identifying risks, both qualitative and quantitative
3. How to document the output from risk identification and how to construct and use a risk register
4. The differences between the risk event, its causes and possible effects
5. How to update information on risks that have been identified and the frequency of updates
6. The business environment within which your organisation operates and key market practices
7. The importance of keeping up-to-date with the environment within which your organisation operates and the risks affecting other, similar organisations
8. The regulatory framework within which your organisation operates, published standards on the management of risk and other relevant guidance
9. The information that will enable the accurate identification of risks to your organisation, and where it can be obtained
10. Your organisation's values and objectives, culture and ethos
11. Your organisation's risk policy and protocols
12. The customer base of your organisation and its characteristics
13. The products and services your organisation offers and how the business operates
14. How to grade the significance of identified risks to your organisation
15. The roles and responsibilities of departments and key individuals within your organisation and how they interact
16. How to allocate ownership of risks and how to review effectiveness of controls
17. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM05 Assess risks for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility within a financial services organisation for assessing or analysing risks, and for identifying the controls appropriate to a department, to a project or to the organisation overall. You must conduct an analysis to estimate the likelihood of a risk event occurring and its consequences.

Outcomes of effective performance

You must be able to do the following

- RM05/1 Identify sources of data for use in risk assessments and validate as appropriate
- RM05/2 Using appropriate techniques, estimate the likelihood of risk events occurring, the scale and, where relevant, the distribution of the impact they could have on your organisation
- RM05/3 Identify risk events to your organisation that are outside pre-defined tolerances
- RM05/4 Using appropriate techniques consider and quantify the impact of aggregation where risk events affect each other or can occur simultaneously
- RM05/5 Identify the controls needed to manage identified risks and develop the means to do this, having understood costs / benefits and your organisation's risk appetite
- RM05/6 Make recommendations in respect of the system of controls, actions and decisions
- RM05/7 Maintain and re-validate risk data with and without controls applied

- RM05/8 Establish key risk indicators to support a continuing process of risk and control assessment

Behaviours underpinning effective performance

- You present information clearly, concisely, accurately and in a manner that promotes understanding
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo
- You do not shirk from proposing or implementing a course of action even though it may be difficult or unpopular
- You carry out tasks in compliance with your organisation's policies and procedures

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Techniques for assessing and classifying risks relevant to your organisation
2. Techniques for estimating the likelihood, scale and distribution of risk events occurring, and the factors to take into consideration
3. Risk indicators for identifying a risk event, their uses and limitations
4. Risk distribution techniques, their use and limitations
5. How to collect and validate relevant data for the risk assessment
6. How to evaluate costs and benefits of controls
7. How to estimate pre- and post-controls values for risks
8. Methods of developing a risk assessment and what it should and should not include
9. Why it is important that risk mitigation is proportionate to the risks posed and how this is achieved
10. Relevant regulatory and legislative requirements
11. The importance of keeping up-to-date with the environment within which your organisation operates and the risks affecting other, similar organisations
12. Where to find information about the risks faced by your organisation
13. Your organisation's risk appetite and risk tolerance
14. Your organisation's risk policy and risk protocols
15. Your organisation's procedures for recording and analysing risks and their effects, against risk appetite
16. The controls that are available to your organisation to manage risks, and how to analyse costs / benefits
17. The relative effectiveness of controls available to your organisation and any interdependencies between them
18. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM06 Develop a risk profile for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for developing a financial services organisation's risk profile, such as a risk register. You must present a comprehensive overall picture of the risks facing your organisation, to enable a process of evaluation and prioritisation to occur. You will need to record the probability of each risk event taking place in the risk profile, and the impact this would have on your organisation. You will also need to record the controls in place to mitigate the inherent risks, and the residual risk with the controls in place. Risk must be constantly monitored in order to identify any changes to the risk profile. The results of the risk profiling exercise are commonly presented in a risk register.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|--|--------|--|
| RM06/1 | Design the format of the risk profile according to your organisation's requirements | RM06/7 | Review the risk profile at regular, agreed intervals, in accordance with the risk protocols, and when specific or ad hoc events may impact upon the assessment |
| RM06/2 | Record risks in terms of impact, probability and distribution, using appropriate techniques | | |
| RM06/3 | Ensure that the risk profile demonstrates the effect of the controls in place, and that inherent risk and residual risk are properly understood | | |
| RM06/4 | Devise an appropriate template for a risk register, in accordance with organisational and regulatory requirements | | |
| RM06/5 | Populate the register with results from the risk profiling exercise, working with the defined risk owners of each risk | | |
| RM06/6 | Ensure that relevant stakeholders understand your organisation's profile of risk and controls and know their responsibilities in respect of this | | |

Behaviours underpinning effective performance

- You encourage others to share information and knowledge within the limits of client and commercial confidentiality
- You respect the limitations that client and commercial confidentiality may place on your communications
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You do not shirk from proposing or implementing a course of action even though it may be difficult or unpopular
- You deploy a range of influencing skills and strategies
- You seek to build consensus around the objectives you are pursuing
- You identify and explain the benefits to others of the actions you propose to take
- You liaise with others within the organisation to reach a common goal
- You balance agendas and build consensus

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Good industry practice in respect of developing a risk profile relevant and proportionate to your organisation
2. The information and methodology required to develop the risk profile
3. The techniques for designing a risk profile
4. Risk distribution techniques, their use and limitations
5. The systems and controls in place to manage risk
6. How to establish the probability of a risk event and its impact
7. The existing and potential controls to be taken into consideration
8. Internal and external third parties holding information regarding the impact and likelihood of risks
9. The techniques for monitoring risks to identify changes to probability and impact
10. Why the risk profile should be reviewed and how to keep it accurate and up-to-date
11. How to review the actions taken to manage risks and the factors to be taken into account
12. New and enhanced controls that impact on your organisation's risk profile
13. Your organisation's risk policy and risk protocols
14. Your organisation's risk appetite and risk tolerance
15. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM07 Identify available resources to manage risk for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have an influence on identifying a financial services organisation's resource requirements and availability to manage risk. You must accurately identify the resources available to your organisation to manage risk, and the cost-effectiveness of implementing controls. You must recommend actions that support compliance, mindful of the legal and regulatory requirements. This can include a number of different actions, such as transferring, increasing, reducing or avoiding risk.

Outcomes of effective performance

You must be able to do the following:

- RM07/1 Ensure that you have access to your organisation's risk profile and appetite and base your decisions on this
- RM07/2 Conduct a review of your organisation's resources that are available to manage risks, including skills, people and IT, against the risk profile
- RM07/3 Evaluate the cost of implementing identified controls and alternative mechanisms
- RM07/4 Analyse the cost-benefit of the available risk control resources
- RM07/5 Review the outcomes of the cost-benefit analysis to determine actions for your organisation
- RM07/6 Identify the legal and regulatory implications of applying the controls
- RM07/7 Prioritise risk controls in order of their potential benefits, cost-effectiveness and inter-dependencies
- RM07/8 Make recommendations in respect of controls, actions and decisions to manage risk

Behaviours underpinning effective performance

- You encourage others to share information and knowledge within the limits of client and commercial confidentiality
- You select communication styles that are appropriate to your audience and your message
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be taken
- You do not shirk from proposing or implementing a course of action even though it may be difficult or unpopular
- You seek to build consensus around the objectives you are pursuing

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Relevant analytical and risk management techniques
2. The outcomes of the risk assessment for your organisation
3. Techniques for conducting a review of your organisation's resources
4. Techniques for evaluating the costs and benefits of implementing, reducing or eliminating controls
5. The purpose of the cost-benefit analysis and how this is conducted
6. How to translate the outcomes of the cost-benefit analysis to allow you to make an accurate assessment of risk actions and decisions
7. The jurisdictional scope of the regulatory and legislative environment
8. Your organisation's risk profile and risk appetite
9. The availability and extent of internal and external IT systems and resources available to manage risks where appropriate
10. How the control environment and related resources link to your organisation's corporate governance regime
11. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM08 Facilitate risk action planning for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for facilitating the development of a financial services organisation's action plan arising from its risk profile, to bring its residual risk into line with its risk appetite. To facilitate the development of an action plan, you must be able to identify its intended audience, establish the scope of the plan and ensure clarity of the objectives. You will need to ensure the plan includes the actions that are required, who is responsible for taking the agreed actions and the resources required to carry these out.

Outcomes of effective performance

You must be able to do the following:

- RM08/1 Identify the purpose and audience for the action plan
- RM08/2 Establish, with appropriate colleagues, the scope of the action plan and its timeframe
- RM08/3 Ensure that you have accurate information on all the relevant risks and events to include in the action plan
- RM08/4 Ensure that dependencies and proposed actions link to other, related actions
- RM08/5 Identify the resources required for implementing actions and their availability
- RM08/6 Allocate responsibility for carrying out the agreed actions according to levels of authority
- RM08/7 Agree appropriate timescales for the completion of actions
- RM08/8 Devise a system and appropriate timescale for monitoring, reviewing and managing the action plan
- RM08/9 Gain Board or senior management level approval of the action plan

Behaviours underpinning effective performance

- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You select communication styles that are appropriate to your audience and your message
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You propose courses of action that are timely, appropriate and achievable
- You work to the extent and limits of your decision-making powers
- You carry out tasks in compliance with your organisation's policies and procedures
- You deploy a range of appropriate influencing skills and strategies
- You seek to build consensus around the objectives you are pursuing
- You identify and explain the benefits to others of the actions you propose to take

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Your organisation's risk profile and in particular the concepts of inherent risk, residual risk and risk appetite, which give rise to the need for an action plan
2. The audience for, and purpose of, the action plan
3. How to identify the scope of the action plan and its timeframe
4. How to identify dependencies and link actions
5. The information needed to develop the action plan
6. The information that other colleagues can contribute to the development of the action plan
7. The key responsibilities for carrying out agreed actions
8. How to set timescales for the completion of actions and the factors to take into account
9. The requirements for monitoring and reviewing the action plan
10. Your organisation's requirements relating to the application of codes, laws and regulatory requirements as they impact on your activities

Unit: RM09 Facilitate Business Continuity Planning and disaster recovery for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for facilitating business continuity planning and management for a financial services organisation. You must advise on contingency plans for your organisation in the event of a business interruption occurring.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|---------|---|
| RM09/1 | Ensure your organisation has sufficient and accurate information to produce appropriate business continuity plans | RM09/9 | Review internal and external events against the BCP and identify improvements that can be made to the plan |
| RM09/2 | Facilitate an assessment of risks to identify threats from all sources to the continuity of your organisation's business activities | RM09/10 | Ensure your organisation has an effective and proportionate programme of BCP testing so that the plan remains up-to-date and reflective of your organisation's priorities and the emerging risk environment |
| RM09/3 | Ensure that business impact analysis is conducted | | |
| RM09/4 | Identify activities, operations and key resources that need to be recovered should a risk event occur | | |
| RM09/5 | Ensure that arrangements are made for off-site resources to be available in the event of an emergency | | |
| RM09/6 | Establish the recovery time objectives and their priority order for activities and operations | | |
| RM09/7 | Ensure the plan is documented and that key stakeholders hold copies in locations accessible from the normal place of work | | |
| RM09/8 | Ensure that key personnel understand their Business Continuity Plan (BCP) responsibilities and receive relevant training | | |

Behaviours underpinning effective performance

- You make appropriate information and knowledge available to those who need it and who are entitled to have it
- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You seek a clear understanding of the extent and limits of your authority to make decisions
- You respect the needs and motivations of others
- You deploy a range of appropriate influencing skills and strategies
- You seek to build consensus around the objectives you are pursuing
- You identify and explain the benefits to others of the actions you propose to take

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. How to conduct a business impact analysis
2. How to conduct a 'lessons learnt' exercise
3. How changes to the external risk environment can influence business continuity
4. The range of information and skill sets needed in order to contribute to the development of contingency plans
5. Good industry practice in developing and testing a business continuity plan for your organisation
6. How to arrange off-site back-up resources
7. The business objectives of your organisation
8. Your organisation's customers and suppliers, their needs and motivations
9. Your organisation's products and services
10. Techniques for identifying activities and operations key to your organisation and their priority
11. The extent of your authority in offering advice to other business units
12. Your organisation's requirements relating to the application of codes, laws and regulatory requirements as they impact on your activities

Unit: RM10 Develop and maintain external third party relationships relevant to risk management in a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for developing and maintaining a financial services organisation's relationships with external third parties relevant to the management of its risk. You must be able to develop productive and effective working relationships with a range of bodies that influence your organisation's risk management. You will need to identify appropriate personnel within external organisations and ensure that they have relevant information about your organisation. You will also need to develop a strategy to build and maintain relationships, as well as identifying the resources that this will require.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|--------|---|
| RM10/1 | Identify bodies and other organisations relevant to your organisation and assess the importance of your relationship with them, taking account of current and likely future activities of your organisation | RM10/6 | Identify and resolve any potential conflict between external third parties' interests and those of your organisation in ways which are consistent with organisational objectives, values and policies |
| RM10/2 | Identify appropriate contacts and consult with them to devise effective and realistic means of communication that encourage their continuing support | RM10/7 | Identify rules, regulations, guidance and good practice issued by external third parties and disseminate relevant messages internally |
| RM10/3 | Develop relationship strategies which are consistent with your organisation's objectives, values and policies | RM10/8 | Inform external third parties about business operations as required |
| RM10/4 | Specify clear and accurate communication guidelines, including confidentiality requirements, which are consistent with organisational objectives, policies and resources | | |
| RM10/5 | Identify the resources needed to meet the requirements of relationships with external third parties, including any requirement to report to them | | |

Behaviours underpinning effective performance

- You select communication styles that are appropriate to your audience and your message
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You deploy a range of appropriate influencing skills and strategies
- In managing your work, you identify appropriate priorities and set yourself challenging but achievable objectives
- You carry out tasks in compliance with your organisation's policies and procedures
- You respect the needs and motivations of others
- You develop supportive networks of individuals and organisations

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Relevant regulatory, statutory and other relevant bodies likely to impact on your organisation's business operations
2. The importance of establishing and maintaining good relationships with external third parties
3. The inter-dependencies of relationships with different external third parties
4. How to secure the support of external third parties
5. The principles of confidentiality, and how to develop guidelines for exchanging information between individuals and organisations
6. How to resolve conflicts, problems and issues with others in a way that maintains the relationship
7. How your actions, or inaction, can impact on your organisation's image and reputation
8. The resources needed to meet communication requirements
9. Your organisation's objectives, values and policies
10. Your organisation's risk strategy and policy
11. Your organisation's approach to risk appetite and risk management culture
12. Objectives for your work and your organisation in developing key contacts
13. Your organisation's business objectives and the market in which it operates
14. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM11 Develop and maintain effective risk management communication within a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for developing a financial services organisation's internal relationships, such as with business units or internal audit and/or for staff development. This unit is about ensuring effective implementation and embedding of an organisation's risk management through communication. You must ensure that you have clear and accurate information on the roles and responsibilities of key members of staff within your organisation. You will need to establish communication mechanisms and agree clear boundaries for sharing information which may be confidential. You will need to ensure that policies and procedures are in place for handling such information. You will also need to ensure that people within your organisation recognise the value of risk management, the arrangements for communicating with each other and how to manage the expectations of others.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|--|---------|---|
| RM11/1 | Identify the roles and responsibilities of key stakeholders in the risk management process, and required competencies | RM11/7 | Ensure that consistent messages about risk management are communicated to staff and that these are reinforced by a risk-aware culture |
| RM11/2 | Conduct a training needs analysis to identify the purpose and necessary outcomes of risk management training and awareness-raising at all levels within your organisation | RM11/8 | Clearly identify and agree boundaries of information-sharing |
| RM11/3 | Identify the purpose of the relationship with the risk management function and clearly articulate the benefits of this to others | RM11/9 | Ensure appropriate policies and procedures are in place for identifying and handling sensitive and confidential information |
| RM11/4 | Ensure risk management training is carried out using delivery techniques best suited to the team and/or individual and which meets the aims and objectives of the training | RM11/10 | Confirm and communicate to appropriate staff the types of information they are permitted to access, receive and send |
| RM11/5 | Identify formal and informal mechanisms by which effective communication can be established and maintained | RM11/11 | Establish an escalation process to deal with situations where an inappropriate exchange of information has occurred |
| RM11/6 | Identify the methods of communication which are most appropriate to different audiences and situations | RM11/12 | Ensure that necessary information regarding communication and reporting lines is freely available to appropriate staff |
| | | RM11/13 | Establish a plan, including timescales, for ensuring staff receive training and that they are able to access professional development opportunities |

Behaviours underpinning effective performance

- You make appropriate information and knowledge available to those who need it and who are entitled to have it
- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You respect the limitations that client and commercial confidentiality may place on your communications
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You propose courses of action that are timely, appropriate and achievable
- You identify and explain the benefits to others of the actions you propose
- You deploy a range of appropriate influencing skills and strategies
- You seek to build consensus around the objectives you are pursuing
- You carry out tasks in compliance with your organisation's policies and procedures
- You respect the needs and motivations of others
- You develop supportive networks of individuals and organisations

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The mechanisms that can be used for training and maintaining effective communication, particularly on the subjects of risk and risk management
2. Different methods of communication and training, their advantages and disadvantages
3. The recipients of internal communication regarding risk management
4. The information that colleagues and business units require to effectively manage risk
5. Techniques for managing the expectations of others
6. How to monitor your organisation's exposure to risks and the reporting methods to use, particularly for non-specialists
7. The types of information that can be shared between staff and the levels of authorisation necessary to obtain and disseminate different types of information
8. Your organisation's risk architecture and protocols
9. The appropriate restrictions that apply to different types of information
10. How to identify and establish boundaries of information-sharing
11. How your actions, or inaction, can impact on your organisation's image and reputation
12. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM12 Establish risk-based capital requirements for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for overseeing a financial services organisation's arrangements for maintaining its capital adequacy. You must ensure that appropriate arrangements are in place to determine aggregate residual risk, project likely future losses and calculate required capital reserves. You will need to identify clearly the types of data and information that need to be considered, and the organisation's requirements. You will also need to ensure that a process is devised to assess capital adequacy and that it is explained clearly to colleagues so that they are able to use it effectively, understand its results and take appropriate action. The process should involve appropriate testing techniques (such as scenario analysis and stress testing) and be fully integrated in the business, aligned to the objectives and risk appetite of the Board, and used appropriately for all strategy decision-making.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|---------|---|
| RM12/1 | Identify the appropriate level and the right type of capital required to achieve strategic business goals and to meet the needs of capital adequacy requirements as laid out by the regulator, and internally for economic capital purposes | RM12/6 | Where appropriate, compare outcomes against benchmarked good practice and mandatory standards and make any necessary adjustments to confirm effectiveness |
| RM12/2 | Identify and document the source, type, purpose and parameters of the data that needs to be modelled, identifying any alterations that need to be made to the process to accommodate data requirements | RM12/7 | Where a model is used, explain its purpose, any limitations and required outcomes clearly and accurately to relevant parties |
| RM12/3 | Establish the resources required to build and implement a process to assess capital adequacy | RM12/8 | Where a model is used, run it as often as is necessary to test its robustness and the extent to which it identifies how much capital is needed for your organisation, given its risk appetite |
| RM12/4 | Where a model is used, ensure it meets identified organisational requirements | RM12/9 | Record, analyse and evaluate the results of the tests according to organisational and regulatory requirements, reporting findings in a timely manner to appropriate personnel |
| RM12/5 | Where relevant, design and implement a test plan including the features to be tested, the resources for, and schedule of, the testing activities, and the expected test results | RM12/10 | Document the methodology used and key assumptions |

RM12/11 Evaluate the resilience of the business when faced with different types of scenario, ranging from expansion of the business to unexpected catastrophes

RM12/12 Where relevant, prepare presentations on the approach, key outputs and conclusions for internal and external audiences

Behaviours underpinning effective performance

- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You identify the information needs of colleagues, clients and others
- You seek a clear understanding of the extent and limits of your authority to make decisions
- You do not shirk from proposing or implementing a course of action even though it may be difficult or unpopular
- You respect the needs and motivations of others
- You carry out tasks in compliance with your organisation's policies and procedures
- You take personal responsibility for making things happen
- You employ techniques to influence at all levels

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The different risk types applicable to your organisation
2. The techniques for collating and analysing different types of risk
3. How to evaluate tools and packages available for modelling risk-based capital
4. The limitations and pitfalls of modelling and the appropriate role of modelling in an overall risk management approach
5. The techniques and organisational requirements for designing models
6. How to analyse historic performance in terms of risk-based capital and make suitable future projections concerning risk-exposure and related capital requirements
7. The legal, regulatory and, where appropriate, rating agency requirements that impact on model design and how to calculate these requirements
8. The purpose of the test plan and the information it should contain
9. How to identify and prioritise areas for testing, including the features to be tested and the factors to take into consideration
10. Models of good practice and mandatory standards they should be tested against, and methods for running the relevant tests
11. Accounting and regulatory definitions of eligible elements of capital
12. Sources and types of capital available to your organisation
13. The modelling and/or data requirements of your organisation, including how to check existing data sources for compatibility

14. The resources required to build a new model, including existing approaches to modelling
15. How to explain a new model, its findings and results clearly to the Board and non-specialist colleagues
16. The further tests that can be run in the event of unexpected results
17. How to record the results, and to whom findings should be reported
18. Different uses to which a model may be put
19. How to interpret model outputs, the range of potential uncertainties captured in the model, and what falls outside the model
20. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM13 Evaluate the effectiveness of risk management controls for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for evaluating a financial services organisation's controls to manage risks. You must be able to evaluate the effectiveness and quality of controls that are in place to manage risks and identify where action is required. You will need to ensure that people responsible for the controls know about any improvements that may be needed, and confirm that they have been implemented.

Outcomes of effective performance

You must be able to do the following:

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|--------|---|--------|---|
| RM13/1 | Develop appropriate measures and criteria to evaluate the effectiveness of controls | RM13/8 | Recommend actions for improvement to those responsible for implementing controls and to other stakeholders as necessary |
| RM13/2 | Obtain and provide sufficient information on the use of controls to conduct an accurate evaluation of their effectiveness | RM13/9 | Where necessary, escalate actions that address identified weaknesses to relevant senior management |
| RM13/3 | Conduct an evaluation of, and quantify the use of, controls against their intended purpose | | |
| RM13/4 | Use the findings of the evaluation to inform a gap analysis against controls | | |
| RM13/5 | Ensure that all results are documented and reported, as appropriate | | |
| RM13/6 | Identify weak or ineffective controls and establish why failures occur | | |
| RM13/7 | Identify the actions needed to improve weak or ineffective controls, or implement new ones | | |

Behaviours underpinning effective performance

- You make appropriate information and knowledge available to those who need it and who are entitled to have it
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You identify and explain the benefits to others of the actions you propose to take
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You reflect on your performance, and seek constantly to improve
- You carry out tasks in compliance with your organisation's policies and procedures
- In managing your work, you identify appropriate priorities and set yourself challenging but achievable objectives

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Why controls are necessary to manage risk
2. How to identify failures of controls and assess the reasons for this
3. The purpose of each of the controls in place and the impact of control failure
4. The ways in which controls can be improved
5. Techniques for assessing the cost-effectiveness of systems and controls
6. How to determine what information and evidence is needed to evaluate the effectiveness of controls
7. Sources of information to enable judgements about controls
8. The risk owners within your organisation
9. To whom you should report any cause for concern and need for improvements, including actions and the timescales for their completion
10. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM14 Monitor risks and associated controls for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for monitoring a financial services organisation's risks and associated controls. You must ensure that appropriate monitoring is conducted to identify inherent risk, controls and residual risk. You will need to ensure that a process is in place to identify weak controls, and that risks are regularly reviewed to identify any changes in impact or probability of risk events. You will also need to maintain accurate and up-to-date records.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|--|---------|---|
| RM14/1 | Discuss and review your organisation's risk profile and controls with managers and staff in all relevant departments | RM14/7 | Report regularly to risk owners, senior management and other relevant stakeholders on the status of risks and controls |
| RM14/2 | Ensure that a process is in place to identify gaps in controls, weak and ineffective controls, and controls that are, or can be circumvented, and to report on them as appropriate | RM14/8 | Where necessary, escalate actions that address identified weaknesses to relevant senior management |
| RM14/3 | Monitor scenarios according to the risk appetite and risk tolerances of your business | RM14/9 | Liaise with the compliance and audit functions to ensure that regulators are informed about material and/or reportable failures |
| RM14/4 | Review risks to identify any changes to impact or probability | RM14/10 | Review the risk profile to ensure it is kept accurate, up-to-date and relevant to your organisation |
| RM14/5 | Determine risk indicators to evaluate performance in managing risks and indicators of change in the risk profile | | |
| RM14/6 | Identify the need for extra training on risk management and ensure that relevant parties are informed | | |

Behaviours underpinning effective performance

- You present information clearly, concisely and accurately
- You seek to build consensus around the objectives you are pursuing
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You focus on results, and take personal responsibility for making things happen
- You carry out tasks in compliance with your organisation's policies and procedures

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. The importance of developing and implementing risk control systems which protect the interests of different stakeholders
2. How to assess the effectiveness of control systems and the reporting and escalating methods to use
3. How to identify and use key risk, control and performance indicators
4. How to identify where extra training on risk management is required and to whom to report your findings
5. Your organisation's approach to controlling risks
6. Your organisation's risk assessment and where it is stored
7. The current and likely business activity of your organisation
8. How to track risks and controls against your organisation's risk appetite(s) and risk tolerances
9. How the risk management function fits with audit and compliance functions
10. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM15 Monitor and review the risk management process for a financial services organisation

Overview

This unit is suitable for those working in risk management roles who have responsibility for monitoring and reviewing a financial services organisation's risk management process. You must establish whether risk management within your organisation is effective, proportionate and conducted according to the risk management policy and strategy. You will need to ensure that there are adequate resources for the implementation of the risk management architecture and protocols, and that staff are sufficiently trained and their work regularly appraised. You will also need to ensure that risk management is embedded in your organisation, that it aligns with business objectives and that it delivers value.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|---|---------|---|
| RM15/1 | Assess the risk management policy, strategy and associated protocols against your organisation's business objectives to ensure they are fully aligned and complementary | RM15/6 | Ensure that controls are challenged and re-validated at appropriate intervals, in line with the risk management policy |
| RM15/2 | Ensure necessary resources are available and in place to enable the continued implementation of the risk management policy, reporting any shortfalls as appropriate | RM15/7 | Ensure that your organisation's risk management approach is reviewed in response to any changes in its business objectives |
| RM15/3 | Use the risk management policy and strategy to identify indicators against which to measure risk management performance | RM15/8 | Use the outcomes of training needs analyses and staff appraisals to monitor attitudes towards, and practice in, risk management |
| RM15/4 | Liaise with internal audit to gather relevant information on the implementation of the risk management policy to inform an objective evaluation of its effectiveness | RM15/9 | Identify training and awareness-raising requirements and recommend actions to address these |
| RM15/5 | Review the findings of monitoring procedures and identify areas for improvement or change, ensuring lessons are learnt and necessary actions taken in response to losses and/or near misses, escalating where appropriate | RM15/10 | Ensure that accurate messages about the value added by risk management are communicated at all levels within your organisation and are understood |
| | | RM15/11 | Monitor the implications of financial regulation and legislation for your business according to agreed timescales |

Behaviours underpinning effective performance

- You encourage others to share information and knowledge, within the limits of client and commercial confidentiality
- You present information clearly, concisely and accurately
- You propose courses of action that are timely, appropriate and achievable
- You have an awareness of the consequences, implications and risks of courses of action you propose
- You seek a clear understanding of the regulatory and commercial environments within which decisions have to be made
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo
- You set clear tasks and objectives for achievement
- You encourage others to share information and knowledge within the limits of client and commercial confidentiality
- You monitor the quality of work and progress of plans, where necessary taking appropriate corrective action and adjusting for changes in circumstances

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Good industry practice in the operation and overview of a risk management process

2. Techniques for monitoring and assessing performance and how to apply these to risk management
3. The importance of remaining objective when conducting an evaluation
4. How to identify areas for improvement or change and the actions that can be taken to implement change
5. The value added by risk management and why it is important to communicate this to the rest of your organisation
6. Why and how change in your organisation's business objectives can influence the risk management policy
7. How to conduct training needs analyses and operate a system of regular appraisal, and why it is important to apply them in your organisation
8. How financial regulation and legislation influence risk management and your organisation's business objectives
9. Your organisation's risk strategy and policy and why these should reflect your organisation's business objectives
10. Your organisation's culture and ethos
11. The role of the internal audit and compliance functions and the links between them and risk management
12. Your organisation's procedures for challenging and re-validating the risk management policy and why this should be done
13. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Unit: RM16 Report risk management information to financial services stakeholders

Overview

This unit is suitable for those working in risk management roles who have responsibility for producing and reporting a financial services organisation's risk management information. You must produce a number of different reports, some planned and others as required, for different audiences, internal and external. You must be able to determine the purpose and content of the report and who will read it. You will also need to present information in the report accurately and in a manner that can be easily understood by other personnel.

Outcomes of effective performance

You must be able to do the following:

- | | | | |
|--------|--|--------|---|
| RM16/1 | Determine the purpose of any report you are required to produce and its intended recipients | RM16/7 | Prepare and present your report in a style consistent with your organisation's requirements |
| RM16/2 | Produce reports in full compliance with any applicable regulatory and legal requirements | RM16/8 | Submit your report in a timely manner |
| RM16/3 | Identify and collate the information required for the report, including losses and near misses and the effectiveness of risk controls | RM16/9 | Seek feedback to identify whether your report has been understood and identify any follow-up actions for implementation |
| RM16/4 | Agree and manage your reporting activities against the timelines and frequency for planned reports | | |
| RM16/5 | Present objective information regarding any issues that arise clearly, accurately and in a manner that can be easily understood by others | | |
| RM16/6 | Retain all supporting material for use in justifying your report and make this available to those who are entitled to it, or request it and have a right to it | | |

Behaviours underpinning effective performance

- You select communication styles that are appropriate to your audience and your message
- You make appropriate information and knowledge available to those who need it and who are entitled to have it
- You present information clearly, concisely, accurately, and in a manner that promotes understanding
- You deploy a range of appropriate influencing skills and strategies
- You seek to build consensus around the objectives you are pursuing
- You are able to make a critical evaluation of arguments, assumptions, concepts and data, and to challenge constructively the status quo

Knowledge and understanding

To achieve this unit, you will require the following knowledge and understanding:

1. Why, when and by whom risk management information is required
2. Information needed for the report and the format in which it is required
3. How the report will be used and the consequences for your organisation of making the details available to outsiders
4. Timescales and deadlines for reporting risk management information
5. How to use language which can be understood by non-specialist personnel
6. Reasons for keeping, and for how long, supporting information used to produce reports
7. Your organisation's requirements relating to the application of relevant codes, laws and regulatory requirements as they impact on your activities

Glossary for Risk Management for the Financial Sector NOS

Board	This is the body responsible for the strategic direction and overall running of the organisation. In some cases, depending on the type of organisation, this is also known as the governing body.
Customer	<p>This can be either an individual or an organisation, and differs according to the type of financial institution. It refers to those who have obtained a product or service offered by your organisation; in some cases they might be known as, clients, depositors or investors.</p> <p>Financial services companies have to spend extra resources on validating customer identity as part of Know Your Customer requirements and categorise customers (e.g. as retail consumers or eligible counterparties) so that appropriate standards can be applied to dealings with those customers.</p>
External third parties	The regulator, rating agencies, investors, Unions, statutory or other relevant bodies.
Near miss	<p>This is an operational failure that did not result in a loss or give rise to an inadvertent gain.*</p> <p>It may be indicative of an exposure to risk, even if that exposure has not materialised.</p>
Resources	This refers to a range of assets required for the achievement of an organisation's business objectives, or a specific function. This includes both physical assets, such as capital, people and equipment, and 'virtual' assets such as skills, knowledge and time.
Risk appetite	<p>This is the amount and type of risk that your organisation is prepared to seek, accept or tolerate.*</p> <p>Probability of loss may be included as part of the definition, and the overall organisational appetite is usually sub-divided into risk categories (e.g. credit, market, etc.).</p>
Risk architecture	This is the structure used to define roles, responsibilities, communication and reporting for risk management within your organisation.
Risk management framework	A set of components that provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management processes throughout the organisation.*
Risk owner	This is a person or entity with the accountability and authority for managing the risk and any associated risk treatments.*

Risk profile	The description of a set of risks.* For instance, the accumulated risks of a Business Unit make up its risk profile, the accumulated risks of all Business Units the Risk Profile of the whole organisation.
Risk protocols	This are the guidelines, procedures and techniques used for risk management in your organisation. Protocols also include any standards that are used for the implementation of risk management – they can be internal or external standards.
Risk tolerance	Your organisation’s readiness to bear the risk after risk treatments in order to achieve its objectives.* Where risk appetite describes an absolute threshold for unacceptable risk, risk tolerances describe a graduated scale of acceptability within the bounds of risk appetite
Risk treatment	This is the process of developing, selecting and implementing controls. Risk treatment can involve avoiding risk, seeking an opportunity, removing the source, changing the probability, changing the consequences, sharing the risk, or retaining it. Risk treatments that deal with negative risks are sometimes referred to using the following terms: mitigation, elimination, prevention, reduction, repression and correction.*

* Definitions based on ‘BSI 31100:2008 Risk management – Code of practice’

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