



The Risk Portfolio

Exceptional Situations call for
Exceptional Strategies



Introduction

- Role of The Treasurer
- Impact of Global Trends
- Types of Risks
- Prioritising Risk / Use of RCMs
- ERM Model
- The seven Golden Rules
- Developing a Structured Control Environment



Role of the Treasurer

- Ensure that things do not go wrong
- Taking corrective measures to ensure:
 - Exposure is contained
 - Controls are instituted where necessary
- Prevent Control / Detect Controls/
Analytical Reviews



Types of Risks

- Liquidity Risk
- Interest Rate risks
- Commodities Risk
- Counterparty Risk
- FX Risk
- Operational Risk



Prioritising Risk

- What happened in Last Stock Burst
- Monitor Controls on a regular basis
- Use of RCMs
- Sarbanes Ox model



The ERM Model

- ERM model
- Enterprise Risk Management Deals with risks and opportunities affecting Value creation or value preservation.
- ERM is a process applied in strategy setting, designed to identify potential events that may affect the entity, and manage risk to provide reasonable assurance regarding the achievement of entity objectives.



ERM – Key Concepts fundamental to Managing risk

- ERM is a process
- ERM affects people at all levels in the organisation
- Applied in Strategy setting
- Applied across the enterprise, at every level and unit
- Designed to identify potential events
- Able to provide reasonable assurance to an Entity's Board of Directors
- Geared to achievement of objectives



ERM – Achievement of Objectives

Management establishes strategic objectives, selects strategy and sets aligned objectives – across the enterprise. This ERM framework is geared to achieving the an entity's objectives in four categories:

- Strategic – High level Goals, aligned with supporting its mission
- Operations - effective and efficient use of resources
- Reporting – Reliability of Reporting
- Compliance – compliance with applicable laws and regulations



ERM - COMPONENTS OF ERM

- Internal Environment
- Objective setting
- Event Identification
- Risk Assessments
- Risk Response
- Control Activities
- Information and Communication
- Monitoring



ERM – BENEFITS & LIMITATIONS

- Provides important benefits
- Limitations exist due to
 - Human Judgement in decision making can be faulty
 - Decisions on responding to risks and establishing controls need
 - Breakdowns due to the human factor
 - Controls can be bypassed by collusion between two or more people
 - Management has ability to override ERM decisions to consider the relative costs / benefits



ERM

- SO HOW DO WE MAKE IT WORK?



Developing a Structured Control environment

- Key Priority
- People hate you at first and then they start respecting you



Structured Control Environment

- Developing a Structured Control Environment
 - The importance of: Good People
 - The importance of Good Systems and Procedures
 - Training
 - The importance of training good people in Good systems and procedures to ensure that the Controls work as planned
 - Controlseven Key Controls tend to break down over a period of time so use a Key Control Update Report (KCUR)
 - Testing Controls - Monitoring
 - Process reviews to identify weaknesses

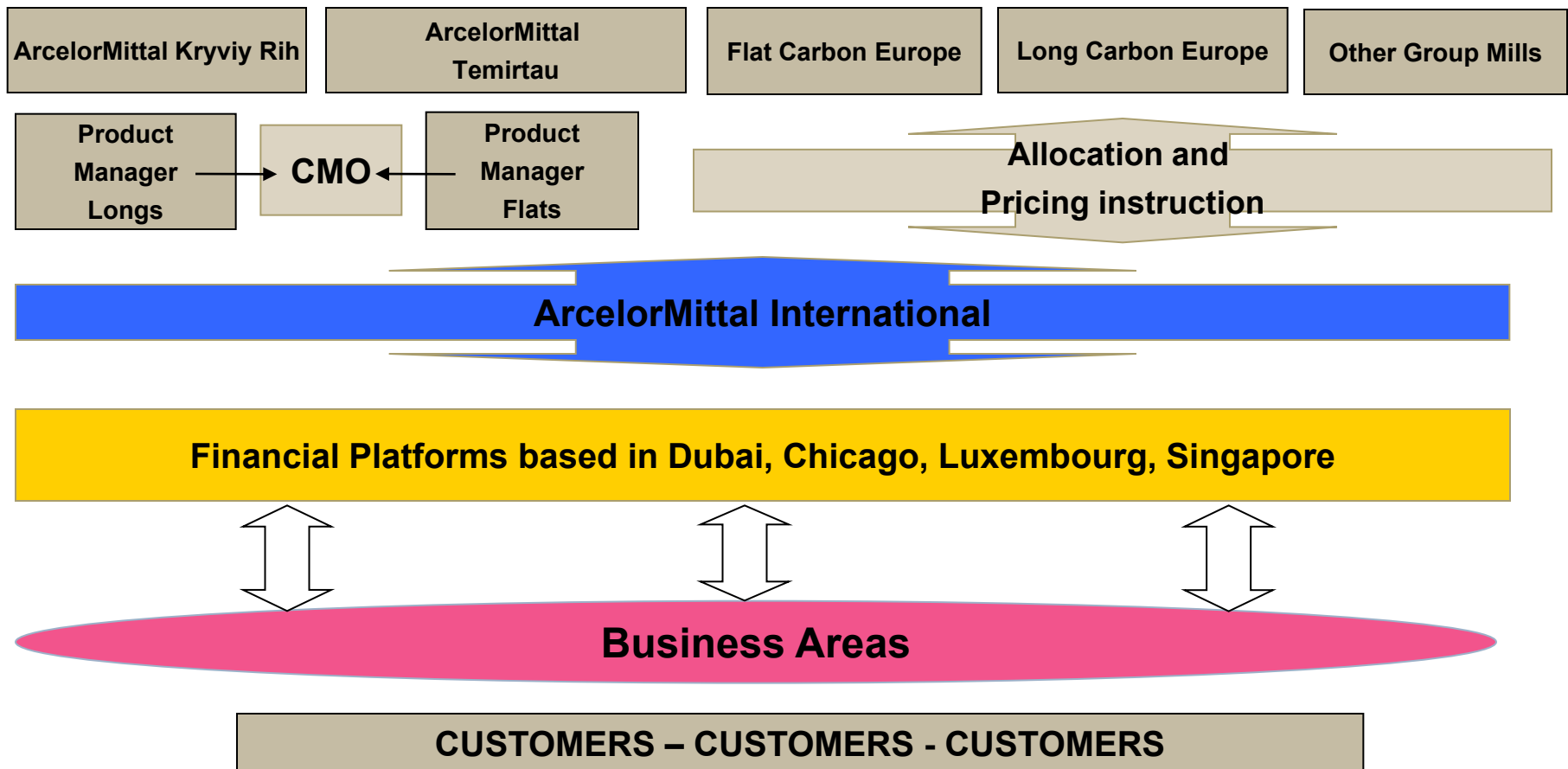


KCUR

- Key Controls tend to break down over a period of time. Use of Key Control Update Reports ensures Controls remain:
 - Effective
 - Efficient
 - Seamless
 - Savings in terms of ensuring Risk is minimised



Export Business Model





AMI – The Seven Golden Rules

- Establish and communicate the Group Risk Policy
- Adjust the existing Risk Assessment and the reporting process
- Reinforce risk monitoring and oversight of risk responses
- Explicit and systematic Analysis of Strategic Risks into Strategic Planning
- Include explicit risk management in the projects
- Clarify roles and responsibilities
 - Nominate Risk Officers at Entity level
 - Nominate Risk officer at Group Level
 - Corporate Risk management Team
 - Initiate an action plan to develop a common risk culture in the Group
- Initiate an action plan to develop a common risk culture in the Group



Counterparty Risk

- AMI monitors customer ability to honour debts. In times of crisis this activity becomes even more critical
 - Assess new Customers Creditworthiness
 - Assess existing Customers Creditworthiness
 - Monitor Customers paying habits/financial Data / externally reported information



CREDIT MANAGEMENT AT AMI

- Mitigated Risk
- LCs yes.... but...the bank itself could represent a counterparty risk
- Pitfalls in confirmation and discounting
- Credit Insurance – AMI use Coface and Ducaire



Credit Management - Rules

- Know your customer
- Use Credit Insurance
- Best Credit Insurance is cash in our pocket
- Do not prolong terms when customer has "difficulties"
- Do not try and get Credit Insurance when customer is in bad shape
- Include in Frame contracts an article about Credit Insurance
- Anticipate your future financial risk



Thanks

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