

# Emerging Risks

## Corporate Governance

- Understand the risk profile
- Support and provide sufficient resources
- Establish a framework - strategic plan; risk limits; management information systems; audit
- Ensure culture is consistent with framework

## Risk Assessments

- Consider current & prospective business model
- Determine risk level of products & services in all bank areas
- Evaluate management of risks
- Consider potential external threats
- Verify through audits & examination reports

## Strategic Plans

- Enterprise-wide exercise
- Understand the operating environment
  - Strengths & weaknesses
  - Most used products / services
  - Largest revenue producers
  - Primary competitors
  - Potential economic / regulatory changes
- Include vision & mission statements & executive summary

## Succession Planning

- Ensure continuity & options for future changes
- Be consistent with the strategic plan
- Address both planned & emergency succession events
- Include key positions & mission critical functions
- Include an objective talent assessment
- Identify potential future leaders
- Create employee development plans & regularly evaluate progress

**Cyber Security** – *See Separate Tool Card*

## **Third Party Risk Program Elements**

- Risk assessment
- Due diligence process
- Contract structure & review
- Oversight

## **AML / Countering the Financing of Terrorism Programs**

- Risk assessments
- FinCENs National Priorities
- Customer due diligence
- Beneficial ownership requirements

## **Dominant Official**

- Definition: Individual / group of persons that exerts an influential level of control or policy making authority
- Potential challenges
  - Incapacitation or loss of the dominant official
  - Difficulties in resolving mismanagement
- Risk mitigation strategies
  - Proper controls & segregation of duties
  - Audits
  - Ongoing director involvement
  - Committees with robust reporting systems

## **Capital Planning**

- Balance sheet composition
- Level & trend of problem assets
- Asset growth expectations
- Off-balance sheet risks
- Access to capital sources

## **Concentrations**

- Risk management principals
  - Accurate management information systems
  - Comprehensive market analysis
  - Effective credit underwriting standards
  - Robust credit review
  - Board & management oversight