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Do actuaries make good risk officers?

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Role of the CRO in UK financial services firms

- Monitor the risk framework and the risk register
- Review, monitor and report on compliance with risk policies and deal with risk incidents
- Agree risk appetite with Board, monitor whether the firm is within appetite, and challenge if not
- Carry out the ORSA (Own Risk and Solvency Assessment) – or equivalent capital assessment processes – and validate the models used for capital management purposes
- Promote and monitor the right risk culture
- Act as ‘voice of risk’ at internal committees
- May co-ordinate firm-wide risk management activities
- Support Board/Risk Committee/Executive in carrying out its risk management responsibilities
- Support Remuneration Committee on risk based remuneration (if relevant)
- Report on this to the Executive, Risk Committee and Board and to external stakeholders (regulator, auditors, rating agencies etc)



Role of the CRO in UK financial services firms

- Per the *Risk Coalition's 'Raising the Bar'*:

“the chief risk officer... should provide first line management with **advice, challenge and opinion**, but should not make, approve or authorise operational or other management decisions.”

“the chief risk officer... should challenge **whether first line management has adequately considered all pertinent risks**, how they may positively or negatively impact the organisation, and whether appropriate risk responses have been adopted to keep within risk appetite.”

- There is no recognised route (or qualification) to CRO.

The CRO role is evolving with the development of Chief Risk & Sustainability Officer... or should that read Chief Strategy & Risk Officer?

- Risk management is evolving.

Is risk management about stopping bad things from happening, or about enabling good things to happen?



Attributes of a great CRO

- Strategic understanding
- Stakeholder management (both internal and external)
- Pro-active engagement and influencing skills
- Strong communication especially with those who are not risk specialists
- Technical competence in risk models and capital management
- Creative problem solving
- Good understanding of data and attention to detail
- Integrity

‘Risk Management is as much about understanding and managing behaviour as it is about mathematics’



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Attributes of a great CRO

- Having the right person in the role is the key attribute.
- Other important attributes include:
 - Imagination – “don’t tell us about the things we know about; tell us about the things we don’t.”
 - Gravitas – the CRO needs to operate at ExCo level and be comfortable in front of the board
 - Understands how the business works – all aspects, including culture and behaviours
 - Solution oriented – process and frameworks are important but a focus on getting the right outcomes is critical
 - Cognitively diverse – does this make women better CROs?
 - Comfortable dealing with uncertainty – often there is an absence of data
 - Approaching retirement(!)

