

Industry Risk Profiles

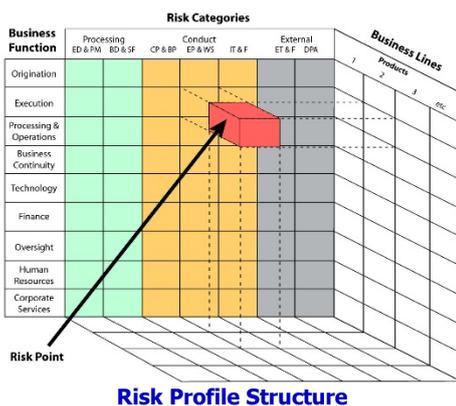
What are Industry Risk Profiles?

Industry risk profiles are aggregations of industry participant perspectives of risk exposures, created using a standard structure to facilitate comparability. The profiles thus depict common areas of concern and can be used by individual firms to compare their own perceptions of risk exposure against those of the industry.

RiskBusiness provides industry risk profiles at both “organisation” level, which is representative of a firm overall, and at either “business line” or “product or service group” level, which represents more granular breakdowns of exposure by common business areas (such as retail banking, insurance broking, central banking, etc.) or for specific groups of product or service offerings (such as credit cards, currency trading, life assurance, etc.). Industry Risk Profiles are also available by industry and geographic area.

What is the “standard structure”?

The standard structure allows for the impact of specific forms of risks, broken down by risk type and within risk type by specific risk categories (shown on the top axis of the adjacent diagram), onto the various business processes or functions (shown on the left-hand axis), and as employed for a specific product or service type (shown as the right-hand dimension of the diagram). The impact is essentially measured at and referred to as a “risk point”.



Risk Profile Structure

Business line structures are created by aggregating the set of product and service group risk profiles which make up a specific business line, while the organisation risk profiles are created either from specific risk profiles created at organisational level or by aggregating business line risk profiles.

Where does the data come from?

The initial risk profiles were developed as part of establishing the financial services industry’s KRI Library (see www.KRIeX.org), where more than 100 banks and over 25 insurers contributed risk profiles for use in identifying where key risk indicators (or KRIs) are needed within the average firm. More recent versions of the industry risk profiles now include risk profiles provided by other RiskBusiness clients, by new participants in the KRI Library and from public forum workshops facilitated by RiskBusiness specifically for this purpose.

How often are the Industry Risk Profiles updated?

There is no predefined frequency or schedule for revising the existing published Industry Risk Profiles; rather as and when there are a reasonable number of new or revised risk profiles available for inclusion, revised profiles are developed and then published.

Is there a risk of identifying whose data is included?

Firstly, the individual input risk profiles typically reflect a general perspective of a firm's view of its exposure, at product or service level, at business line level or overall for the firm as a whole. Secondly, during the process of risk profile aggregation, the individual identities are removed and no links back to the source risk profiles are available. Lastly, unless there are a pre-defined minimum number of data sources, no public Industry Risk Profiles are published.

Mapping to the Industry Risk Profiles

The dimensions used to form the Industry Risk Profiles come from the RiskBusiness Taxonomy Service, an online encyclopaedia of classification hierarchies which support firms creating and documenting their own taxonomies (either from scratch or based off one of the supported industry taxonomies), then mapping their taxonomy to the one used for the Industry Risk Profiles. When used in conjunction with the RiskBusiness Risk Profiling Service, this allows a firm to convert its own risk and control assessment data and/or internal loss data into equivalent risk profiles (or loss profiles) which can then be directly compared to the Industry Risk Profiles.

What can the Industry Risk Profiles be used for?

There are many different uses for the Industry Risk Profiles, including but not limited to:

- Facilitating the comparison of the firm's own view on exposures to that of the industry, thereby assessing the compatibility of exposure views and allowing the firm to question why it sees exposures in areas where the industry does not or why it does not see exposures where the industry does;
- Providing a benchmark for new business areas, new product or service types or new geographic regions, thereby allowing the firm a better understanding of potential changes to its risk profile from entering into such new activity;
- A training tool for staff, allowing them to explore where and how risk can manifest itself; and
- A base mechanism from which to explore other industry data sets, such as the KRI Library, the RiskBusiness Scenario Library, or the RiskBusiness Newsflash Service, while employing the same standard structure to understand the interaction of risk, process and product or service.

For more information on the Industry Risk Profiles, please contact RiskBusiness Services Limited through our website or email us at info@RiskBusiness.com.

Risk Category	Risk Description	Process Risks				Control Risks				External Risks			
		Operational	Financial	Compliance	Reputational	Operational	Financial	Compliance	Reputational	Operational	Financial	Compliance	Reputational
Operational	Product & Service Development and Stability	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Customer and Supplier Relationships	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Human Resources	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Information Technology	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Legal and Regulatory	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Environmental	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Health and Safety	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Business Continuity	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Financial	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Compliance	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Reputational	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Other	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	External	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium
Operational	Other	High	Medium	Low	Medium	High	Medium	Low	Medium	High	Medium	Low	Medium

Sample Organisation Level Risk Profile