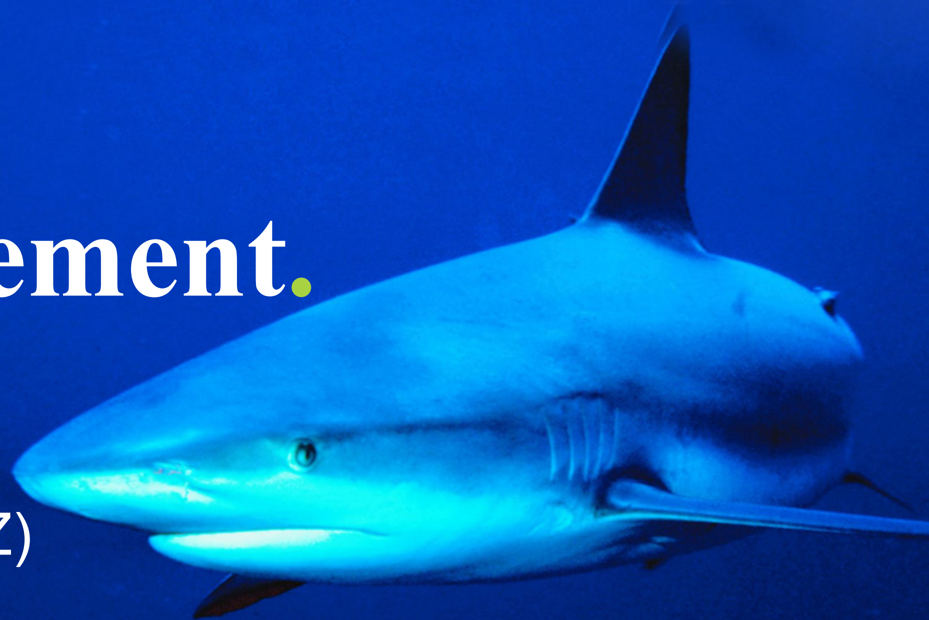
Workshop on Essentials of Effective Enterprise Risk Management.



Organised by

Center of Competence Finance in Zurich (CCFZ)
UZH and ETH

together with
Deloitte.

Thursday 28 May 2009, 14.00 – 19.00
ETH Zurich, Main Building, Lecture Hall HG F7

Welcome

- This workshop is organised by the Center of Competence Finance in Zurich (CCFZ) that is jointly run by the University of Zurich and Swiss Federal Institute of Technology (ETH).

- CCFZ has already organised a series of events such as Annual Risk Day (2004-2008), Asset Management Forum (2006-2008), Zurich Wealth Forum (2005-2006), Workshop on Solvency with Deloitte in 2007.

- Today's event is a next one in the series of CCFZ initiatives together with Deloitte. It is aimed at supporting cooperation between academic experts, regulators and practitioners in the area of finance and risk management.

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- Deloitte is one of Switzerland's leading professional services firms providing Audit, Tax, Consulting and Corporate Finance services. On a global level, Deloitte is one of the largest professional organisations with 165'000 employees in over 140 countries.

- In terms of Enterprise Risk Management consulting capability, Deloitte was rated as a "Leader" according to the Forrester's first Wave™ evaluation (2007) in the business and risk consulting marketplace.

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Professional Risk Managers' International Organization (PRMIA)

- Established in 2002 by a volunteer group of risk industry professionals, the PRMIA is a non-profit professional association, governed by a Board of Directors directly elected by its global membership, of more than 57,000 individual members spread across over 180 countries.

- PRMIA's mission is to provide a free and open forum for the promotion of sound risk management standards and practices globally. It is dedicated to providing resources, networking, and thought leadership to help our members achieve the highest standards from the cradle to the pinnacle of their careers.

- PRMIA provides educational and training opportunities to strengthen practitioner's risk management knowledge and skills.

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Enterprise Risk Management (ERM)

- The topic of today's event is ERM. Recent years have seen increased concern and focus on risk management: there is a clear need for a robust framework of effective ERM.

- As an evolving discipline and fairly broad topic, ERM means different things to different people and has many definitions.

- ERM can be defined as an integrated approach to risk management which aligns strategy, people, processes, knowledge and IT so that risks are better understood, managed and controlled throughout every part of enterprise.

Enterprise Risk Management (ERM)

- An effective ERM framework can help an organisation to meet many of the challenges imposed by the market and by developments in business and regulatory practice.

- ERM facilitates a robust risk culture, sound reputation, an optimal risk-return profile and protection of the capital base of the company. Thus it ensures business stability, performance and profitability.

- By providing extensive opportunities for interaction with academics and practitioners, this workshop is ideal for learning more about ERM, its current trends and practices as well as techniques and challenges relating to this emerging discipline.

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Workshop Programme

14.00 – 14.10	**Opening** Prof. Dr. Walter Farkas, University of Zurich and ETH Zürich
14.10 – 14.50	**Observations on risk management practices in light of the market crisis** Dr. Roland Goetschmann, Large Banking Groups/Head Pillar 2 & Operational Risks, FINMA
14.50 – 15.30	**GRRR…** Sandro Schmid, Partner, Head of Risk and Performance Management, Deloitte Zurich
15.30 – 16.00	**Coffee Break**
16.00 – 16.40	**ERM, towards a holistic view of Risk Management** Dr. Michel Dacorogna, Head of Financial Analysis and Risk Modeling, SCOR
16.40 – 17.20	**Black swans, dragons, prediction of crises and risk management** Prof. Didier Sornette, Chair of Enterpreneurial Risks, ETH Zürich
17.20 – 17.30	**Closing**
17.30 – 18.00	**Cocktail**
18.15 – 19.00	**The conditional extreme value model** Prof. Dr. Sidney Resnick, University of Cornell

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- The main expectation from today’s event is to expand the knowledge about ERM and provide a discussion platform for a wide range of professionals.

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Enjoy the Workshop !

Dr. Roland Goetschmann

- Large Banking Groups / Head Pillar 2 & Operational Risks, Swiss Financial Market Supervisory Authority (FINMA). Responsible for assessing bank-internal risk models and scenario analyses as well as for the supervision of liquidity and operational risks.

- Prior to joining the Swiss FINMA, Dr. Goetschmann was working at the Risk Management Department of an internationally active insurance conglomerate and, for two years, at the Swiss Private Insurance Supervisory Authority.

- Dr. Goetschmann has a PhD in physics from ETH Zürich

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Sandro Schmid

- Partner, Head of Risk and Performance Management within Deloitte Switzerland.

- Over 16 years of experience in providing professional services to the financial services industry. Over 10 years in advisory, leading several large international or national projects in risk and performance management.

- Before advisory, Mr. Schmid was the head of management accounting at group level of a large Swiss bank and before that a branch leader for a few years at the same bank.

- Business economist, MBA, MAS and lecturer of risk management at several institutions in Switzerland.

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Dr. Michel Dacorogna

- Risk Magazine Awards 2009: Insurance Risk Manager of the Year

- Member of the senior management of SCOR, currently heading its Financial Analysis and Risk Modeling team.

- Author or co-author of 65 scientific papers published in well-known scientific journals or as contribution in various reputable scientific books (38 in the field of finance and insurance). Co-authored a book "Introduction to High Frequency Finance".

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Prof. Didier Sornette

- Professor, holds the Chair of Entrepreneurial Risks at the ETH Zurich since 2006.

- The author of 400+ research papers, +120 papers in books and conference proceedings and several books, Professor Sornette has previously held senior academic positions in France and in the US.

- Professor Sornette is an expert in modeling a variety of risks, from earthquake and geological risks, to medical and material failure risks, and most of all, financial risks. His research focuses on the prediction of crises and extreme events in complex systems and has applications to physics, geophysics, finance, economics, social networks on the Internet, cyber-risks and medicine.

Lessons learned

- some highlights -

Dr. Roland Goetschmann : "Observations on risk management practices in light of the market crisis "

Intended enhancements to the Basel II framework include:

- better coverage of bank's risk exposures and higher quality capital to back these exposures
- introduction of a non-risk based measure to supplement Basel II and help contain leverage in the banking system
- higher capital buffers and provisions, higher liquidity buffers
- stronger risk management and governance standards
- more regulatory focus on system-wide or macro-prudential supervision
- greater transparency about the risk in bank's portfolios.

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Sandro Schmid: "GRRR…"

- Dimension *Growth*: business expansion requires high degree of improved control frameworks and internal pricing mechanisms to control massive balance sheet growth and liquidity usage.

- Dimension *Risk:* risk management isn't just numbers – it is people. The application of well-grounded business judgment and common sense to the results of quantitative analysis is as important as the analysis itself.

- Dimension *Return*: ERM requires a culture where decisions on new markets, investments, products etc. are based on risks and their rewards – ex ante!

- Dimension *Reward*: performance measures must be aligned with the business strategy and objectives and remuneration have to balance this with the expectations of all stakeholders.

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Dr. Michel Dacorogna: "ERM, towards a holistic view of Risk Management"

- ERM is an essential driver of the profitability of the business. It affects complete organisation and its processes, allows to measure performance of the business and makes the company more transparent to all stakeholders.

- Building blocks of a sound ERM include:
  - clearly defined risk management culture
  - risk and economic capital modelling
  - management of emerging risks
  - risk control processes
  - strategic risk management.

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Prof. Didier Sornette: "Black swans, dragons, prediction of crises and risk management"

- Extreme events (*Black swans*) are often associated with power law statistics. However, power laws can be superseded by "*dragons*" or events that occur beyond the power law tail. The dragon phenomenon can be identified in the distribution of *drawdowns* and is evidenced, among other sciences, in financial economics. The Dragon approach allows to understand financial crises and address the issue of their predictability.

- Problems in risk management require a new decision making approach. *Quantum Decision Theory* may successfully serve this purpose.

- Prediction of large and extreme events is especially important in management of entrepreneurial risks. Concepts and tools from *the sciences of systems* are useful for value creation and innovation in business practice.

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Apero: Foyer E30

17:30-18:00

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Sidney I. Resnick

- Lee Teng-Hui Professor in Engineering at Cornell University.

- The author of many research papers and several books, Professor Resnick has previously held academic positions in the Colorado State University and in Stanford. He also held visiting appointments at several institutions in Europe, Australia and Israel.

- Professor Resnick‘s research has concentrated on probability modeling, with the emphasis on extreme value theory and modeling of phenomena requiring heavy tails. His work focuses on understanding how to fit heavy tailed models to data as well as how heavy tails and induced long range dependence influence data networks.

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Thank you very much for coming!

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