



21st ISSA Symposium

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Breakout Session 2: Holistic and Non-siloed Risk Management - Outcome

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Holistic and Non-siloed Risk Management - Hypothesis

Organizations today face an evolving threat landscape that cannot be addressed by the historically siloed approach to risk management. Globally, the Securities Services industry has seen fundamental risk challenges in the last five years from pandemics, meme stocks, regulatory change, geopolitical unrest and others.

Risks have historically been managed in a relatively siloed approach where the CEO has, sometimes, been the only point where the responsibility for these risks converge. For example, the Chief Risk Officer may cover credit, market, liquidity and operational risk but cyber risk control reports go through the Chief Information (Technology) Officer.

The interconnectedness of risks today creates an impetus for organizations to rethink their approach to risk management. It is no longer possible to think of assessing and implementing solutions to potential risks individually. The danger is that, through implementing a solution to mitigate one risk, there could be knock-on impacts with unintended consequences.

For example: to increase operational resilience, cloud adoption may be an answer. The trade-off is potentially within cyber risk where increasing the surface area of a potential attack increases the likelihood of penetration.

The objective of the Breakout Session will therefore be to debate the theme, consider if there are areas that the ISSA membership feel resonate and, where this is the case, review whether this is something that should be taken forward by ISSA in some way.

Holistic and Non-siloed Risk Management – Ideas for Consideration

Risk Management Approach

- Consider the adequacy and completeness of present risk management approaches
- Review the benefits and challenges of a holistic in comparison to a siloed risk management approach

Risk Interconnectedness

- Consider the different risks and the impact and implications of dependencies:
 - Strategic and reputational risks
 - Compliance, regulatory and legal risks
 - Financial risks
 - Operational risks (non-technical, IT)
 - Other risks (e.g. Cyber, Cloud, etc.)

Holistic and Non-siloed Risk Management – Summary Observations on Hypothesis

- Don't agree that the risks are silo'd only at CEO level, feel that there is a tendency to have 'fashionable' risks with hyper intense focus – 'always fighting the last war' – need to shift to a different mindset of 'today's risk is tomorrow's crisis'.
- Need to have a way of aggregating specialist knowledge across the organisation – those specialist silos are useful in themselves as long as visibility exists
- "Holistic" in the hypothesis refers to the organisation, a true holistic view of risks would look beyond the organisation into the wider industry. Believe that there is room for other parts of large organisations to see the importance of the 'back office'
- Whilst there is interconnection between risk types, the interconnectedness of the securities services industry is equally important (as peers and intermediaries). E.g. CCPs needing to understand risks associated with custodian services.
- Frameworks and the use of them – both from ongoing threat /risk assessment through to crisis management approaches and a wider use of structured scenarios
- Believe that ISSA does have a role to play, however needs to be aligned with the mandate of the organisation/ aligned to other industry bodies

Holistic and Non-siloed Risk Management – Detailed Findings

Areas where ISSA could play a role

- Expansion of custody risk paper to reference other associated risks – gap analysis, potential comparison with IOSCO PFMI responses
- Potential to run a crisis scenario exercise against the custody risk paper – understand which risks are not addressed e.g. reputational/cyber
- Education – case study analysis around either historical or fictional events to emphasise importance of post-trade
- Potential for industry led mutualised scenario-based framework or playbook
- Leveraging a data centric approach to address risk in both a reactive and predictive way
- Exploring early warning indicators - is this possible, what format could they be in, could they be shared across the industry without entering into anti-competitive situations?
- Possibility to convene ISSA board when there is a crisis to define a mandate for shorter term work or share information. Would there be challenges for firms in openly discussing some current topics? Could this be expanded to the broader ISSA membership?

Holistic and Non-siloed Risk Management – Proposed next steps

- Are there any changes needed to the ISSA mandate to take on certain potential roles (e.g. crisis response)? Membership to be polled.
- Review potential actions (e.g. case study, expansion of custody risk paper...) and agree prioritisation and timelines