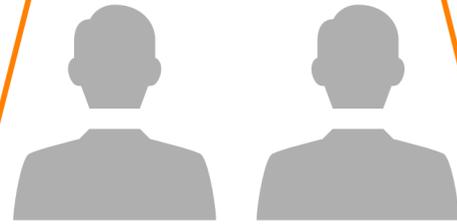
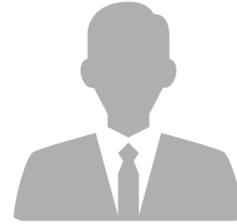


Five Key Risks For Firms In 2017

1

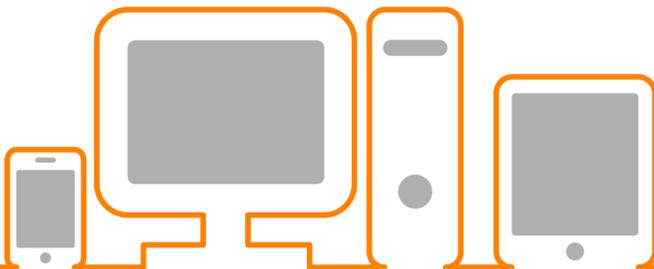
Skills

Senior individuals will be expected to have sufficient knowledge and awareness to discuss all relevant regulatory risks with supervisors and to help them understand the likely impact on the firm and its customers. Board members also need to thoroughly understand the business being conducted.



IT infrastructure

Firms would be well advised to review and, where needed, invest in their IT infrastructures, particularly ahead of the next wave of likely regulatory change.



"The current situation cannot be allowed to continue. IT risks need to be accorded the same status as credit, financial and conduct risk. They are every bit as serious a threat to customers and overall financial stability. More and higher-quality investment is probably required."

**– Andrew Tyrie MP,
Chairman of the Treasury Committee**

3

Personal liability

Personal liability as a matter of deliberate regulatory policy is here to stay. Board members and other senior managers need to understand exactly how they should discharge, and evidence the discharge of, their obligations. UK, U.S., Canadian and Australian regulators have already made policy moves to implement enhanced personal liability.



Culture and conduct risk

Everyday checklist proposed by Ignazio Angeloni of the European Central Bank, who posed six questions that seek to make responsibility for culture both individual and routine:



- Are you doing what you promised to do?
- Are you using your best knowledge and intention in doing it?
- Are you doing what public authorities, superiors, colleagues and business partners expect you to do, and if not, why?
- Are you conforming to the mission and the values of your company as they are publicly stated?
- Will your actions enhance public confidence in your company and in the financial sector?
- Would you behave similarly if your actions were publicly observed?

4

Complexity

Complexity in a firm only becomes an issue when the risk and control infrastructure is insufficiently well designed or resourced, particularly in terms of high-quality IT and data aggregation, to manage the complexity itself and the risks arising. Complexity is exacerbated by size (the concept of "too big to manage") and by certain activities, such as the manufacture and distribution of unduly opaque products.

