

Non-Financial Risk

Opening Remarks

CFS FIRM Conference on Non-Financial Risk

Prof. Dr. Thomas Kaiser

Center for Financial Studies / Goethe University

Frankfurt, 12.03.2020



2) Other risks (BIS 1999)¹

82. The Committee acknowledges the importance of **risks other than credit and market risk** for banks [...] **most banks have only recently begun to develop a** framework for explicitly measuring and monitoring **operational risk**. Other elements of this broad category, such as **reputational and legal risks**, also pose challenges to banks' risk management processes as they, too, are difficult to quantify.

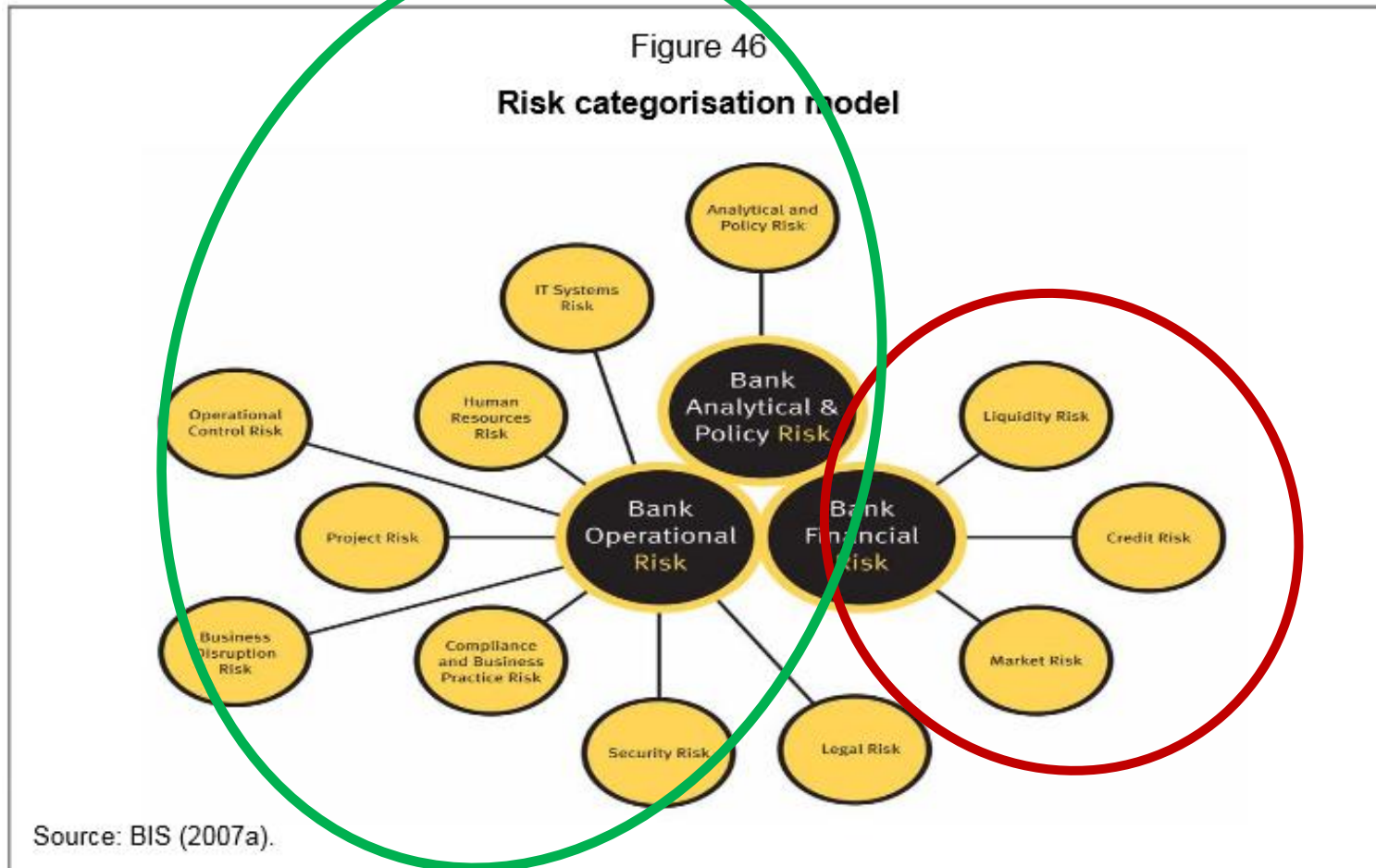
V. Operational risk (BIS 2001)²

547. **Operational risk is defined** as: „the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.“ **This definition includes legal risk. However, strategic and reputational risk is not included** in this definition for the purpose of a minimum regulatory operational risk capital charge.

¹ A New Capital Adequacy Framework. Consultative Paper

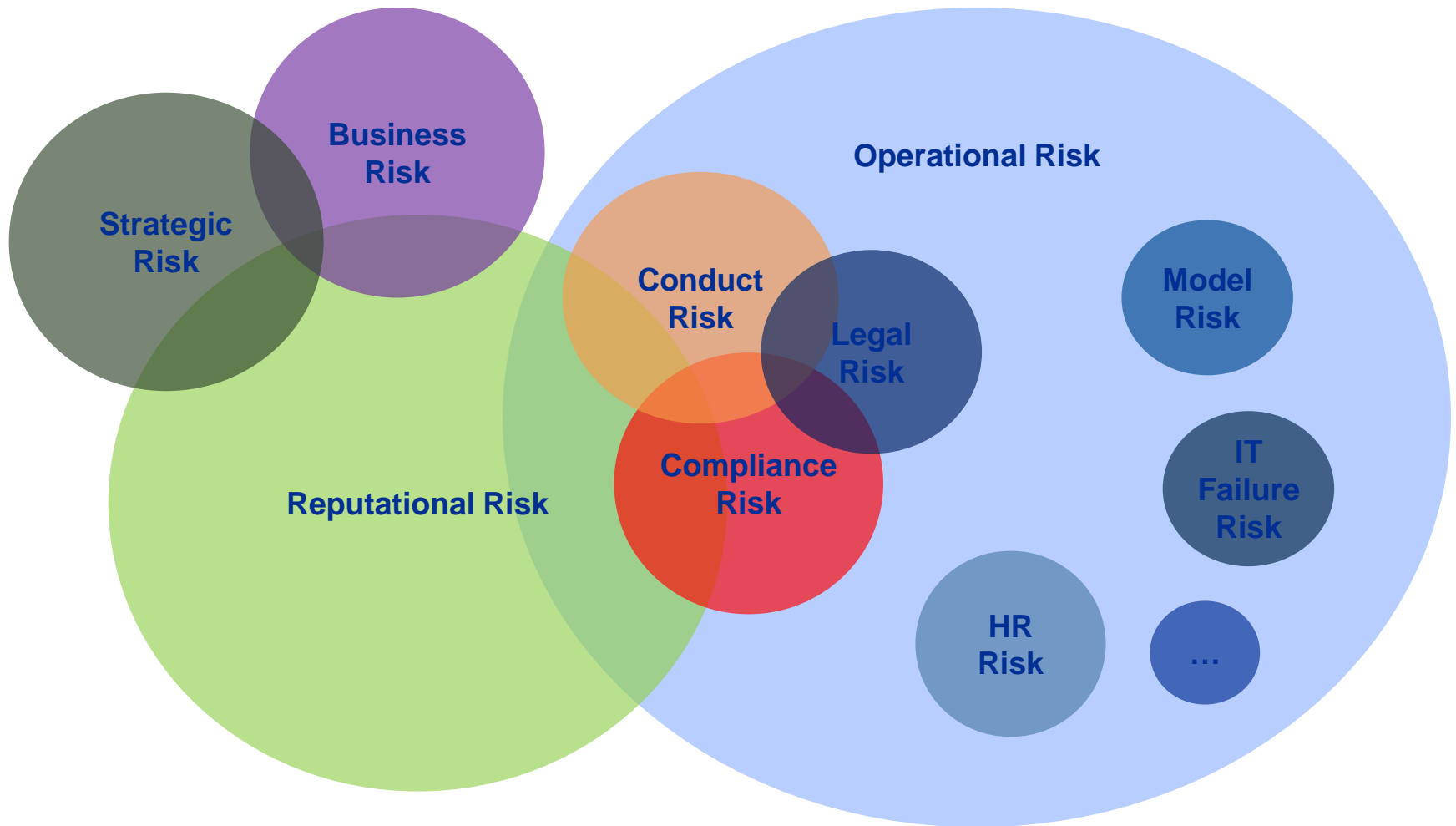
² The New Basel Capital Accord. Consultative Paper

...to “Non-Financial Risks” (BIS 2009)³

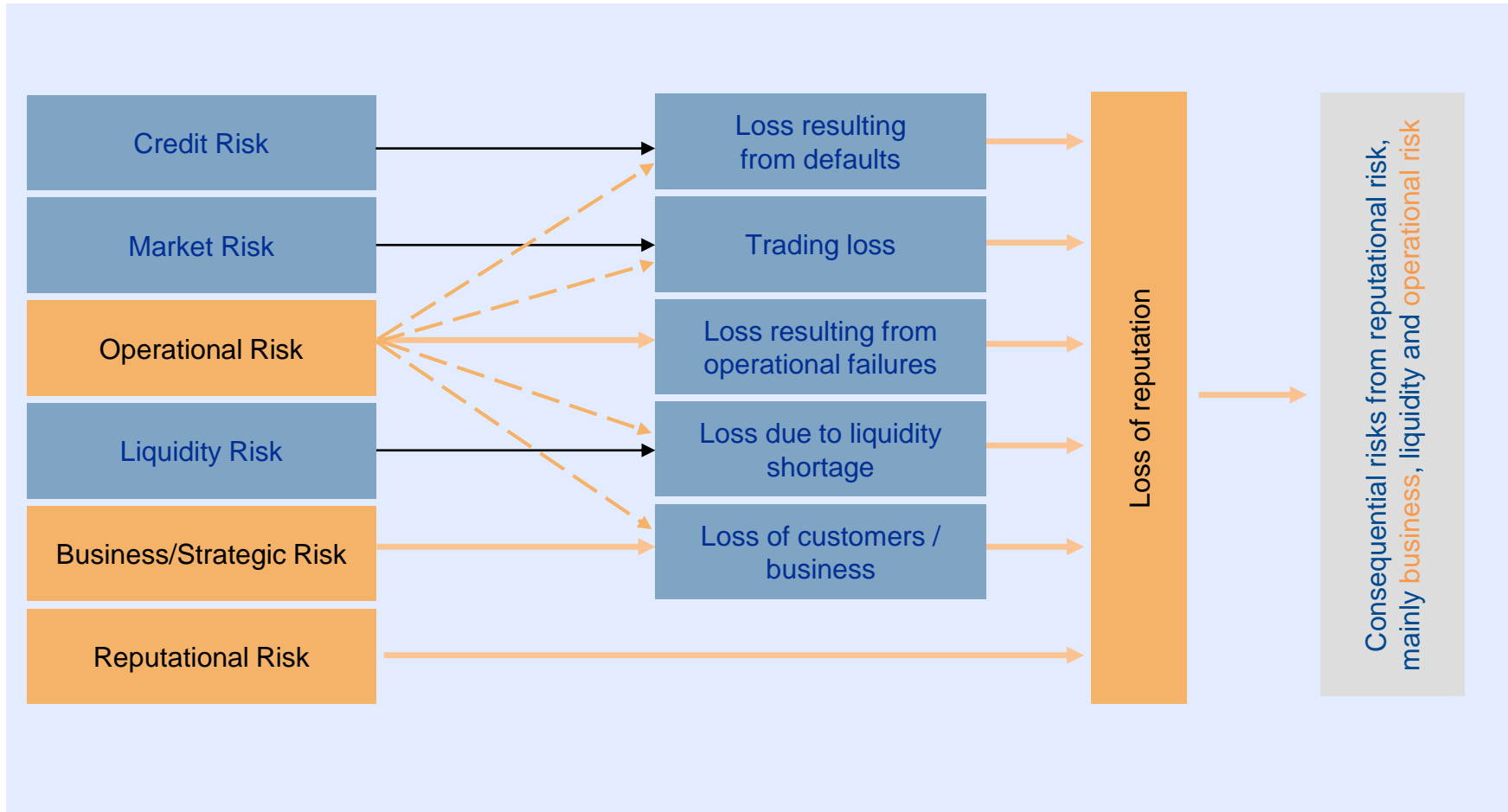


³ Issues in the Governance of Central Banks

...comprising a large spectrum of overlapping risks...



...which are closely interlinked (Kaiser/Merl 2014)⁴



⁴ Reputational Risk Management in Financial Institutions, RiskBooks, London

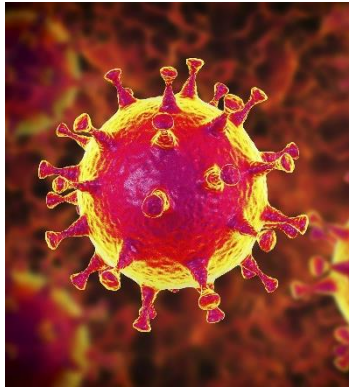
...and is still getting more diverse and complex

- **Cyber Risk**
- **Step-in Risk**
- **ESG Risks**
- ...

Which adds to complexity due to numerous interrelations with other Non-Financial and Financial Risks (Kaiser 2019)⁵.

⁵ Reputational risks, step-in risks and climate related risks as catalysts in the risk landscape, FIRM Yearbook 2019

Operational Resilience at Goethe University



**Pandemic as a
Non-Financial Risk**



**Video Conferencing as
Risk Mitigation?**



```
Your PC needs to restart.  
Please hold down the power button.  
Error Code: 0x00000100  
Parameters:  
0x0000000000000006  
0x0000000000000003  
0x0000000000000128  
0x0000000000000988
```

**Or yet another...
Non-Financial Risk?**

Agenda (1/2)

Time	Topic
09:45-10:00	Welcome and opening remarks <i>Thomas Kaiser (Goethe University and KPMG)</i>
10:00-10:45	Non-Financial Risk as a focus area at FIRM <i>Claudia Hillenherms (Helaba)</i> <i>Thomas Poppensieker (McKinsey)</i>
10:45-11:30	Managing Banks with Divergent Cultures <i>Alan Morrison (Said Business School, Oxford University) - VC</i>
11:30-12:15	A practitioner's view on managing Conduct & Ethics <i>Christian Hunt (Human Risk) - VC</i>
12:15-13:15	<i>Lunch break</i>

Agenda (2/2)

<i>Time</i>	<i>Topic</i>
13:15-14:00	Corporate Compliance Systems - The Effect on Risk, Performance and Firm Value <i>Christina E. Bannier (University of Giessen)</i>
14:00-14:45	Risk Management, Firm Reputation, and the Impact of Cyberattacks on Target Firms <i>Andreas Milidonis (University of Cyprus) - VC</i>
14:45-15:15	<i>Coffee break</i>
15:15-16:15	Panel Discussion: Non-Financial Risk – the way forward <i>Thomas Kaiser (Goethe University and KPMG) – moderator</i> <i>Carsten Eckhardt (Deutsche Bank)</i> <i>Peter Lutz (BaFin)</i> <i>Mark Wahrenburg (Goethe University)</i>
16:15-16:30	Closing Remarks <i>Günter Franke (University of Konstanz)</i>

Contact details

Prof. Dr. Thomas Kaiser
House of Finance
Goethe-Universität Frankfurt
Theodor-W.-Adorno-Platz 3
D-60629 Frankfurt am Main
kaiser@finance.uni-frankfurt.de