



# *Addressing Strategic Business Risks*

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# ***Agenda***

- Strategic Risks in a changing Financial Services environment
- Managing Strategic Risks
- Focus on Technology Risk
  - Increasing Regulatory Requirements
  - IT Governance and Risk Management
  - Managing Cyber Risk
  - IT Outsourcing & Vendor Management
  - IT Continuity
- Final thoughts

# ***Strategic risks in a changing financial services environment***

# ***A Changing Business Environment with Changing Risks***

*The financial services sector (including credit unions) are faced with a changing and challenging business environment which brings new risks and opportunities to be managed.*



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# **Managing Strategic Risk**

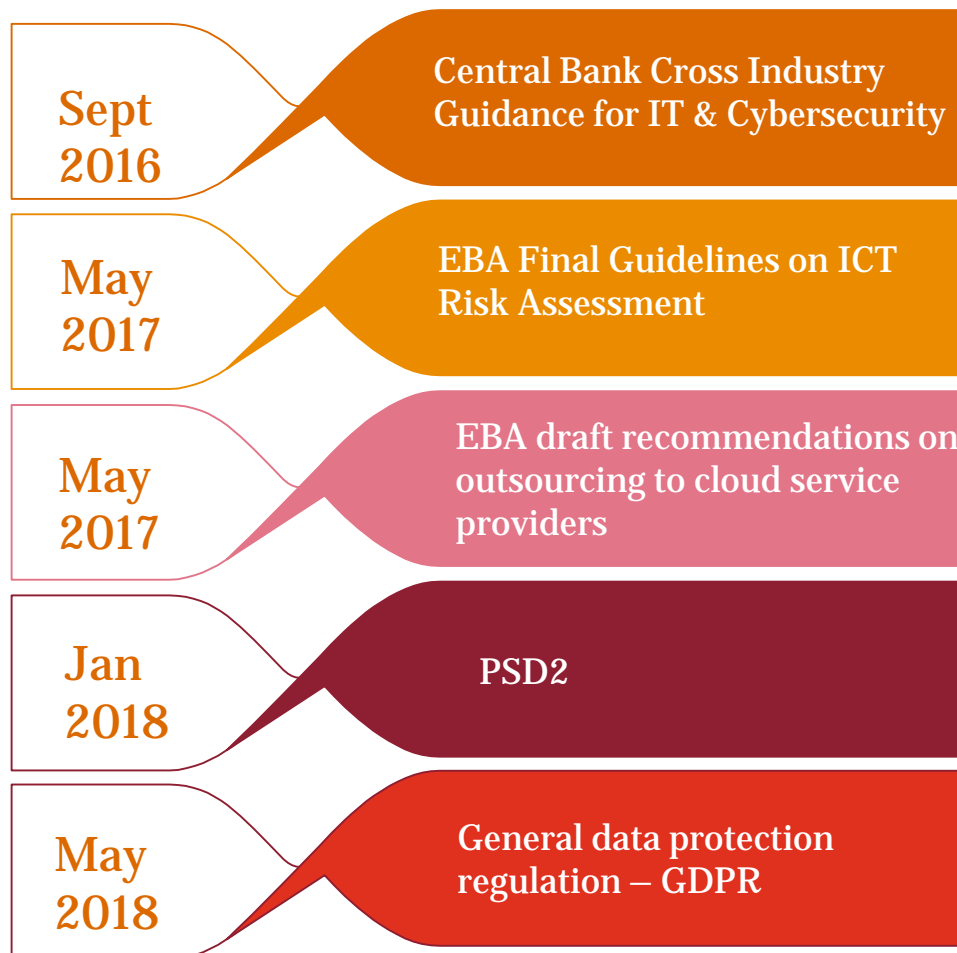
***The strategic plan is an opportunity for the board of directors and senior management to drive change in response to a changing environment. However to ensure a viable strategic plan is implemented, the organisation must...***

- 1. Undertake a realistic business environment assessment and define appetite for opportunities and risks*
- 2. Base strategic objectives around customer needs, optimised products and channels, operational efficiency, innovation, pro-actively managing risk, sound financial modelling and projections.*
- 3. Develop a robust and clear risk appetite statement which is owned by the board of directors.*
- 4. Develop a pragmatic risk management framework for your organisation.*
- 5. Ensure all compliance considerations for planned services and projects have been recognised.*
- 6. Ensure the risks of new products, services and projects have been assessed, managed and are in line with the board's appetite for risk.*

## ***Focus on Technology Risk ....***

## ***Increased regulatory requirements....***

*Spotlight on technology*



# ***IT Governance & Risk Management***

## **Strategy**

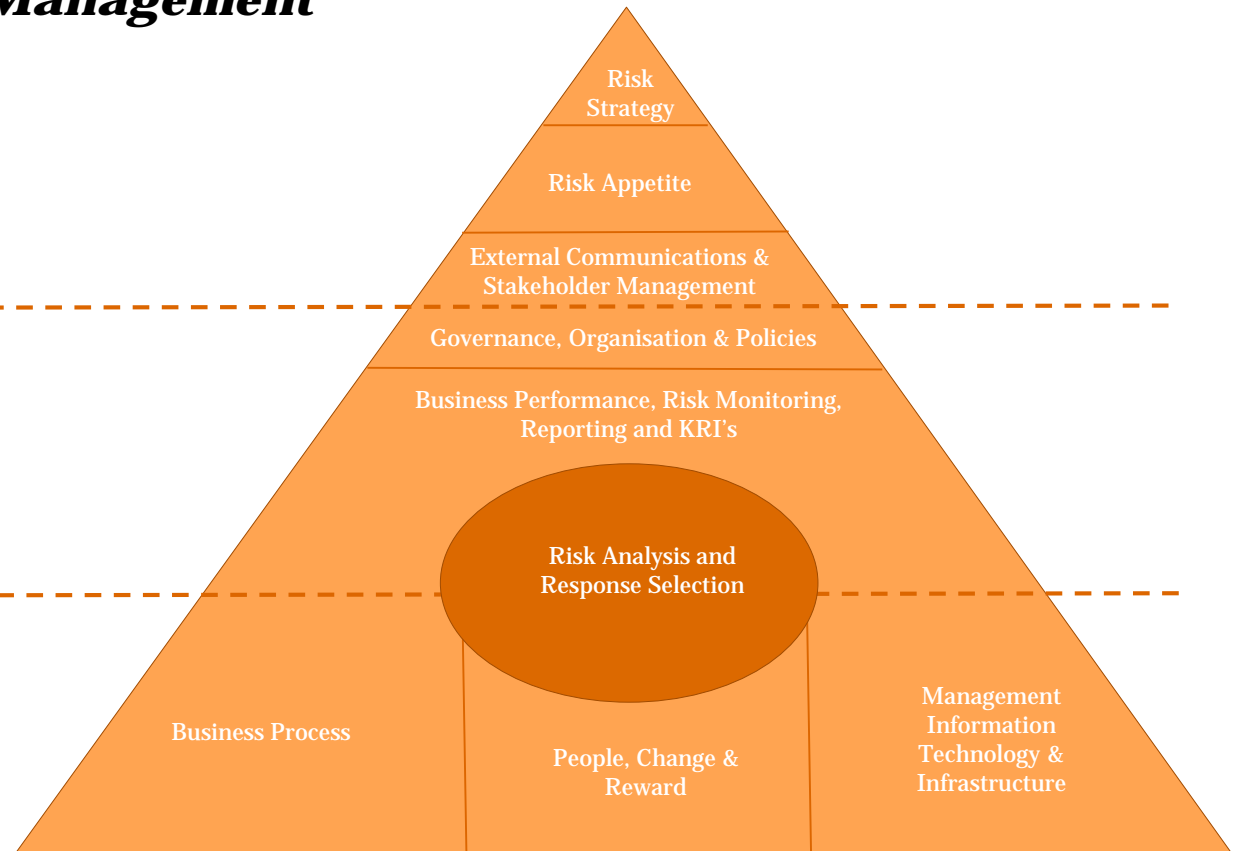
- Setting the tone from the top

## **Management**

- Policies, procedures, standards
- Monitoring
- Reporting

## **Business**

- Integrate risk management in processes, systems and culture
- Training - a risk management culture





# Cyber Risks

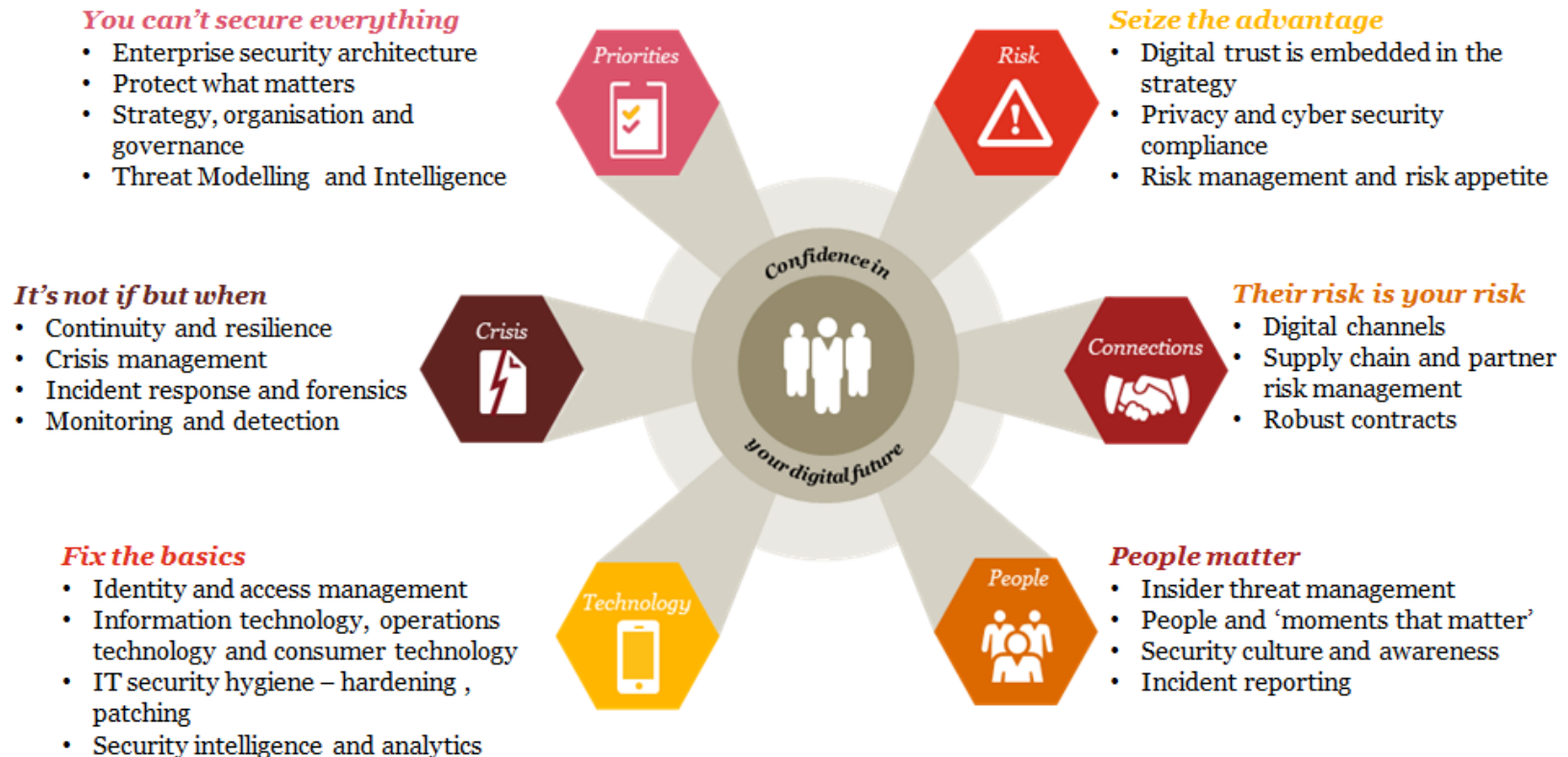
| Financial   | Legal                     | Information and Technology    | Operations                    | Human Capital           | Reputation                    | Global                   |
|---|---------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|--------------------------|
| PwC's Hazard Catalogue: The Seven Categories of Hazards that Apply to Any Financial Institution |                           |                               |                               |                         |                               |                          |
| Unfavourable Audit Findings   | Litigation                | Disruptive Change             | Supply Discontinuity          | Ineffective Recruiting  | Brand Degradation             | Terrorism                |
| Insider Trading   | New Legislation           | Technology Incompatibility    | Infrastructure Failure        | Inadequate Capabilities | Loss of Market Position       | War                      |
| Unfavourable Market Conditions  | New Treaty                | Intellectual Property Leakage | Supply Chain Issues           | High Turnover           | Low Customer Confidence       | Natural Disaster         |
| New Taxation  | Sanctions                 | Espionage                     | Execution Failures            | Training Inadequacy     | Loss of Partner Relationships | Pandemic                 |
| Balance Sheet Infidelity  | Whistle Blower            | Fraud                         | Supply Fulfilment Gaps/Delays | Succession Gaps         | Unfavourable Price Elasticity | Geopolitical Instability |
| Balance Sheet Write-Offs  | Regulatory Non-Compliance | Data Breach                   | Low Supplier Quality          | Low Employee Confidence | Communication Mismanagement   | Money Laundering         |
| Asset Deflation   |                           | Apps. & Network Vulnerability | Physical Security Breach      | Performance Gaps        | Poor Market Access            | Counterfeit              |
| Embezzlement  |                           |                               |                               | Discrimination          |                               | Kidnap & Ransom          |

Key:



Areas where cyberincidents are either the source, cause or a contributor of hazards for financial institutions.

# Managing Cyber Risks



## ***Managing Outsourcing Risk***



# ***Managing Business and IT Continuity Risk***

## **Business Continuity Management**

Process of identifying, preventing and preparing for events that may disrupt business activity.

### **Crisis Management**

Ensures command and control during an operational disruption and includes incident identification, evaluation, escalation, declaration, plan activation and deactivation. Communication internally and externally is a key component of this plan.

#### **Emergency Response**

Created to facilitate and organise employer & employee actions during workplace emergencies.

#### **IT Disaster Recovery**

Address the restoration of business systems software, hardware and data during an incident.

#### **Business Continuity**

Address the recovery and continuity of critical business functions required to maintain an acceptable level of operation during an incident.

### **Business Impact Analysis (BIA) and Risk Assessment**

Process of identifying and defining the critical business processes and the interruption risks to the organisation.

#### **Recovery Time Objectives (RTO's)**

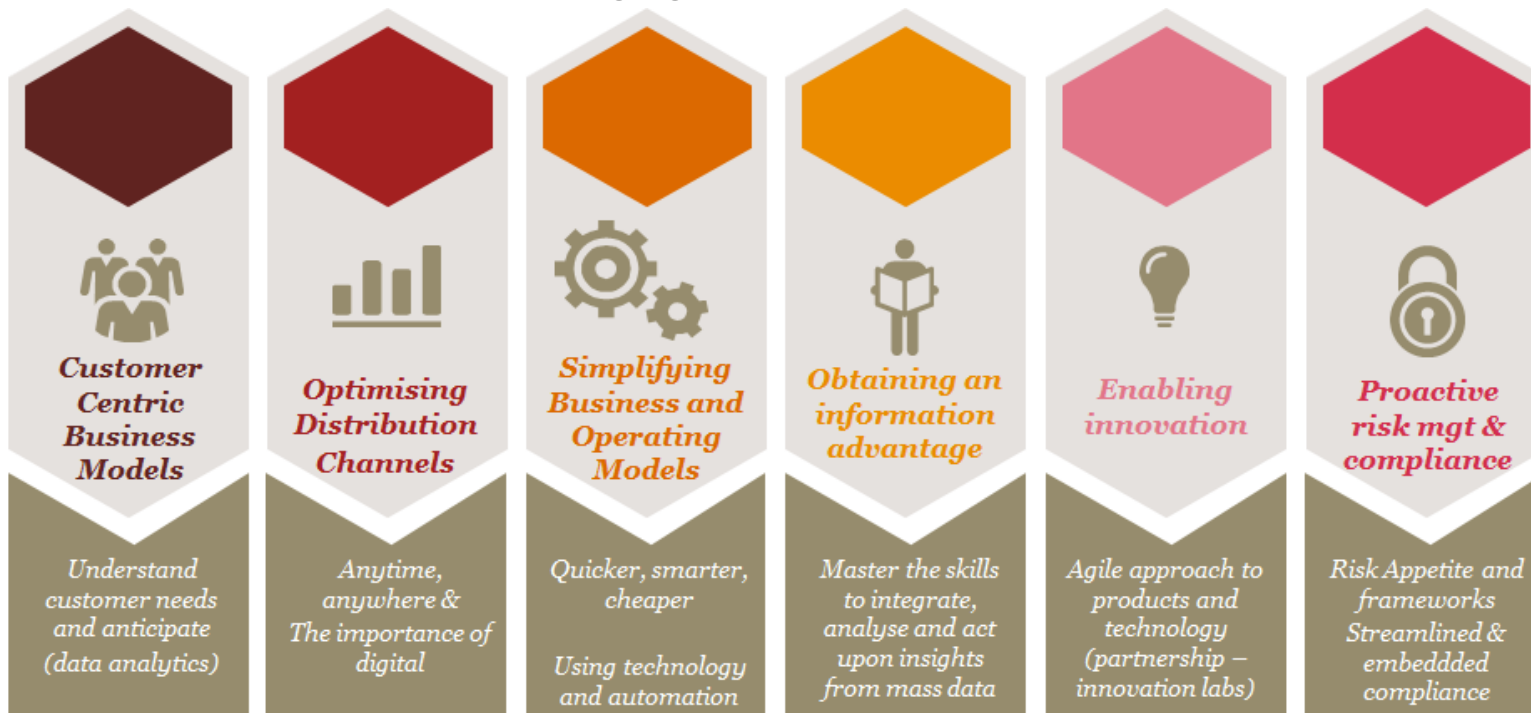
The period of time within which systems, applications, processes or functions must be recovered after an outage.

#### **Recovery Point Objectives (RPO's)**

The acceptable amount of data loss, measured in time in the case of a disaster.

## ***Final thoughts....***

Financial Services sector is changing .....



**STAYING THE SAME IS NOT AN OPTION**

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# ***Thank you for your time***

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culture | people | protection

# **CUCC Annual Conference**

**October 3<sup>rd</sup> 2017**

***A Strategic Focus in a Changing  
Environment***