Deloitte.

Insights from the

Global risk management survey, eighth edition: Setting a higher bar

Prevalence of the CRO position is growing

65% of institutions had a CRO in **2002**.

89% of institutions had a CRO in **2012**.

2002

2012

Enterprise risk management (ERM)

62% of institutions reported having an ERM program, up from **52%** in 2010.

62% 2012

52% 2010

Cost of regulatory reform on risk programs

More institutions in the 2012 survey reported an increase in the cost of regulatory compliance.

65%, up from **55%** in 2010.

58% of institutions participating in the survey plan to increase their risk management budgets over the next three years.

17% anticipating annual increases of **25%** or more.

Stress testing

Over **90%** of institutions surveyed now use stress testing with most saying they use it in planning and setting strategy within their risk management framework.

Basel II and III

75%

Institutions subject to Basel II reported they had made significant progress in implementing these requirements, with roughly three-quarters saying they had either completed or largely completed the work on Basel II's three pillars: I (Minimum Capital Requirements), II (Supervisory Review Process), and III (Market Discipline Requirements).

Institutions have made less progress on meeting the requirements of Basel III:

45% largely completed the work for **Pillar I: Enhanced Capital Standards**

35% made equal progress on **Pillar I: Enhanced Risk Coverage**

30% of institutions said they had largely completed the work on Basel III's requirements regarding the **Liquidity Coverage Ratio, Leverage Ratio, or Net Stable Funding Ratio.**

Board approval of risk policy and risk appetite

8 out of **10** boards of directors review and approve the risk management policy and/or ERM framework and also the risk appetite statement.

Incentive compensation

There has been extensive discussion about how some incentive compensation plans may inadvertently encourage excessive risk taking.

49%

Yet, about half of the institutions, **49%**, said their board of directors reviews the compensation plan to consider the alignment of risks with rewards.

Risk technology systems and data

Less than **25%** rated their systems as extremely or very effective in data management/maintenance, data process architecture/workflow logic, or data governance.

Significant improvements in risk management technology and infrastructure may be required at many institutions.

The highest priorities for investment in risk technology systems are improvements to:

Risk data quality and management

48% 2010 vs. 63% 2012

Enterprise-wide risk data-warehouse development

35% 2010 vs. 51% 2012

Solvency II

For insurance firms subject to Solvency II,

92% said they plan to focus over the next 12 months on Own Risk and Solvency Assessment (ORSA), while many institutions also said they are intending to work on issues related to **data quality** and **documentation/reporting**, **77%** and **69%** respectively.

Contact

To learn more, please visit:

www.deloitte.com/us/globalrisksurvey

Subscribe

To receive email communications, please register at:

www.deloitte.com/us/subscribe

Engage

Follow us on Twitter at:

@DeloitteFinSvcs

About the survey

The Global risk management survey, eighth edition, is the most recent in Deloitte's ongoing assessment of risk management practices in the global financial services industry. The survey was conducted via an online questionnaire from September to December, 2012. The survey gathered the views of CROs, or their equivalents, at 86 financial services institutions around the world with combined assets of US$18.7 trillion.

The participating institutions represented the major economic regions of the world with most institutions headquartered in the United States/Canada, Europe, or Asia Pacific. Most were multinational, with 65 percent having operations outside of their home country. Participants also represented a variety of financial sectors, with the largest concentrations among integrated financial institutions, commercial banks, retail banks, and insurance companies.