

# **State of Risk Management Practices in Financial Institutions - Ghana**

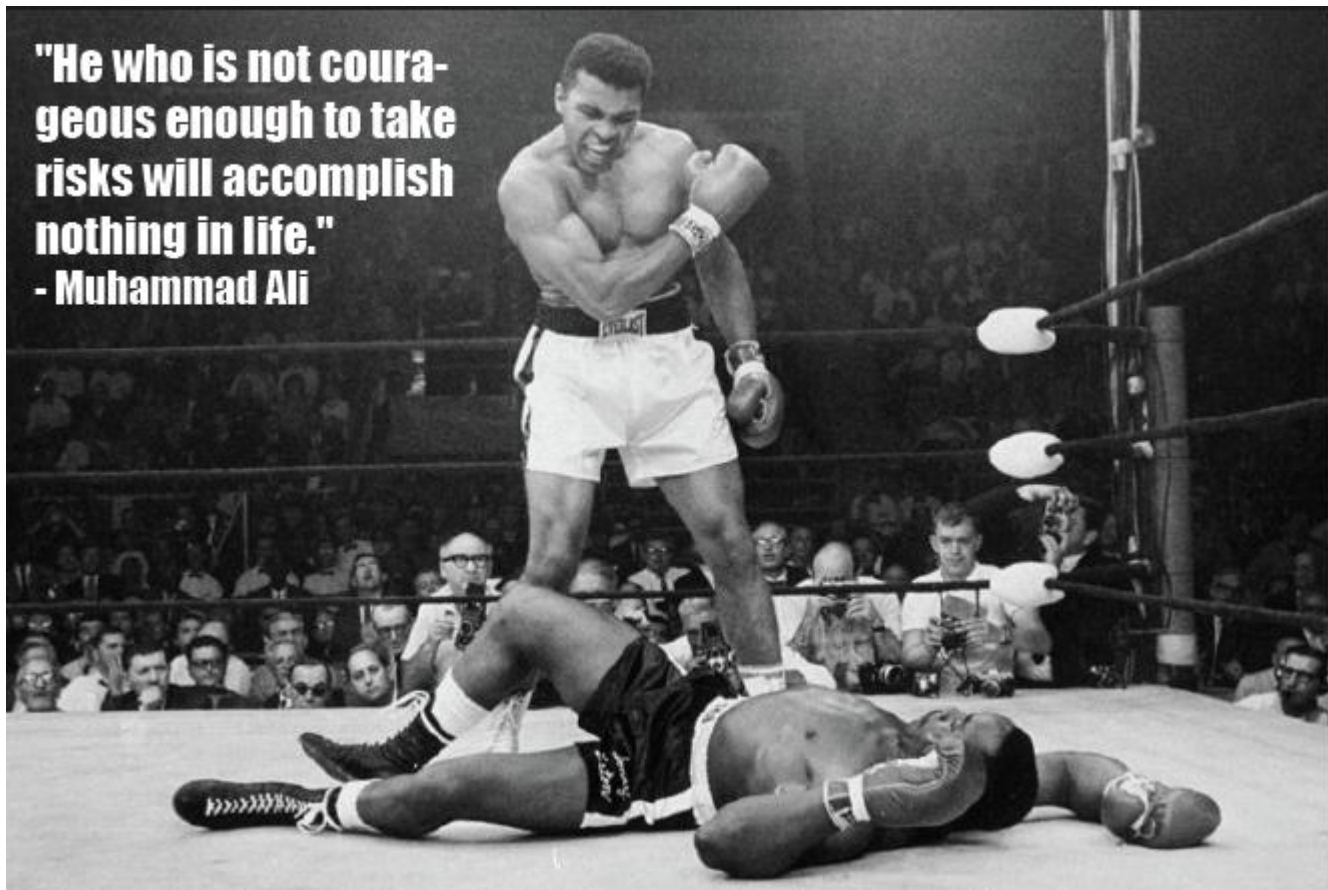
## **Survey Outcome Review**

**Seyram Akotey**  
**Decision-i**



...explore your data for better decisions

**"He who is not courageous enough to take risks will accomplish nothing in life."  
- Muhammad Ali**



# Acknowledgements

- Some gracious people at various banks
- Nuku Attipoe, Chief Risk officer, the Royal Bank
- Sam Aquah, Chief Risk Officer, Ghana Commercial Bank
- Eyram Klu

## **SURVEY OBJECTIVE**

The objectives of this survey are

- a. Develop a picture of the state of enterprise risk management across financial institution in Ghana and to benchmark that against global best practice
- a. Point to the way forward for bridging identified gaps

## **TAKE AWAYS**

- a. Attendees to the summit must leave with a reasonably picture of how their own organizations fare against the average performance in their market
- a. Attendees must obtain some ideas for making improvement they identified for their own organizations

## **SURVEY RESPONDENTS**

Almost every bank in Ghana were invited to fill in online questionnaire

# Scope

**Risk Culture**

**Risk Tolerance**

**Governance Roles and  
Responsibilities**

**Liquidity Management**

**Risk Functions (Office of CRO)**

**Strategic Focus**

**Training**

**Senior Management Approach**

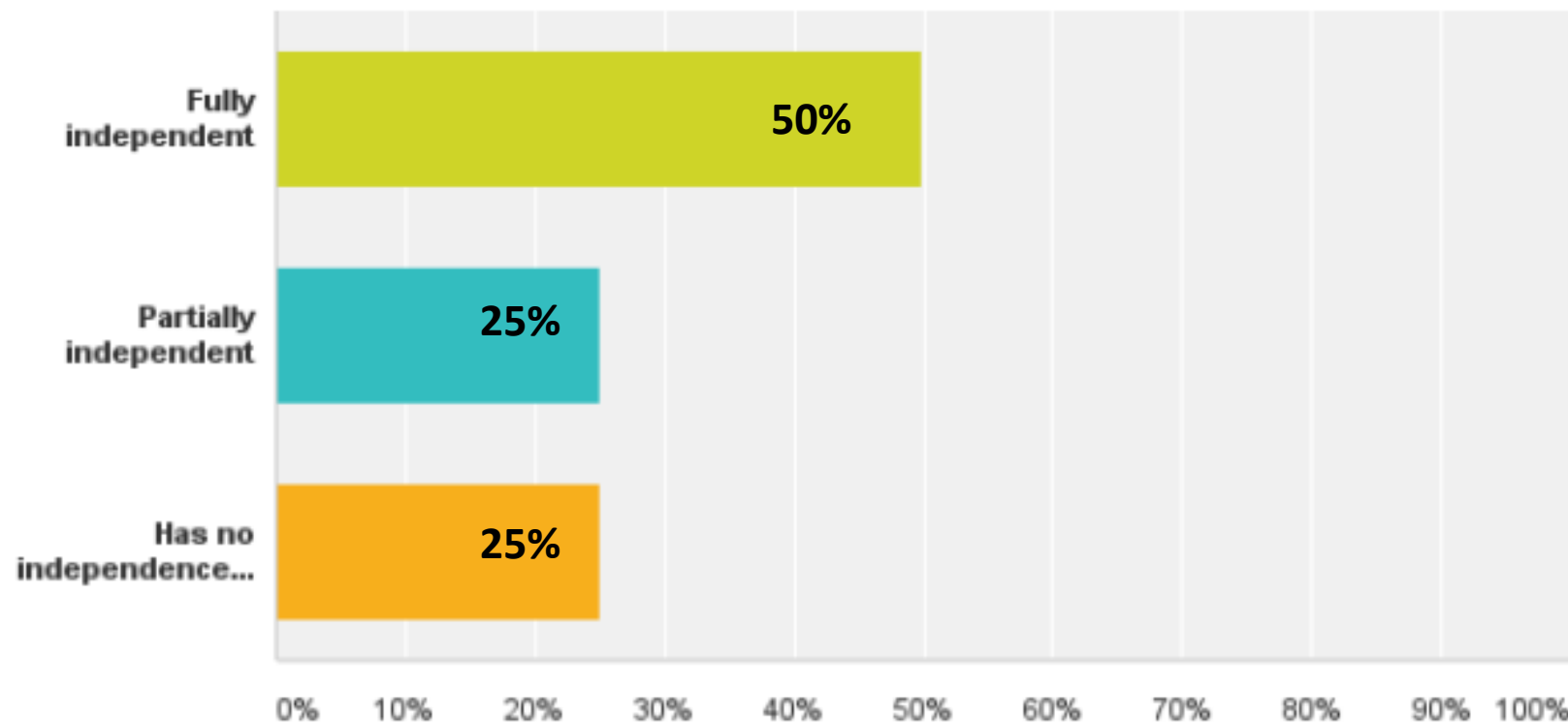
**Basel II Compliance**

**Communication**

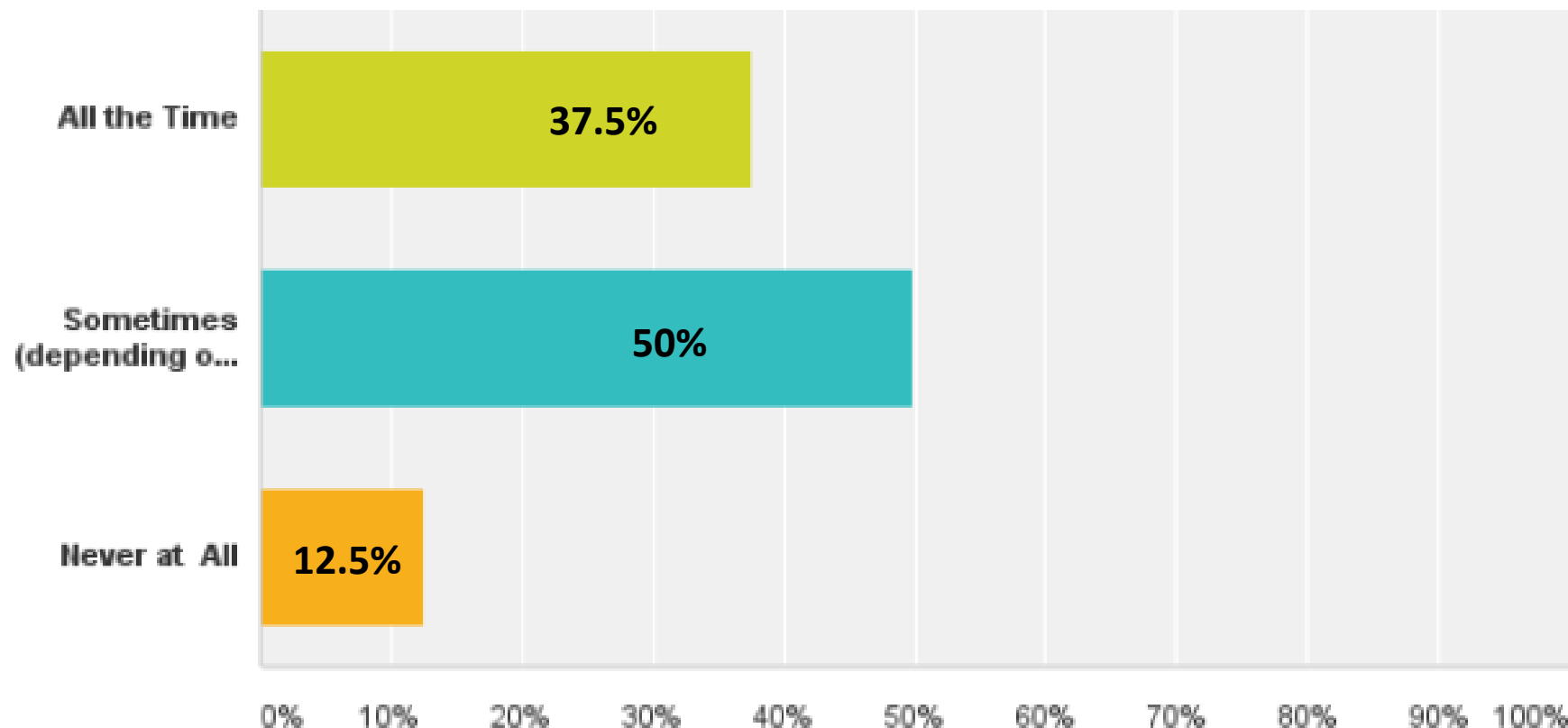
**Risk Framework**

**Stress Testing**

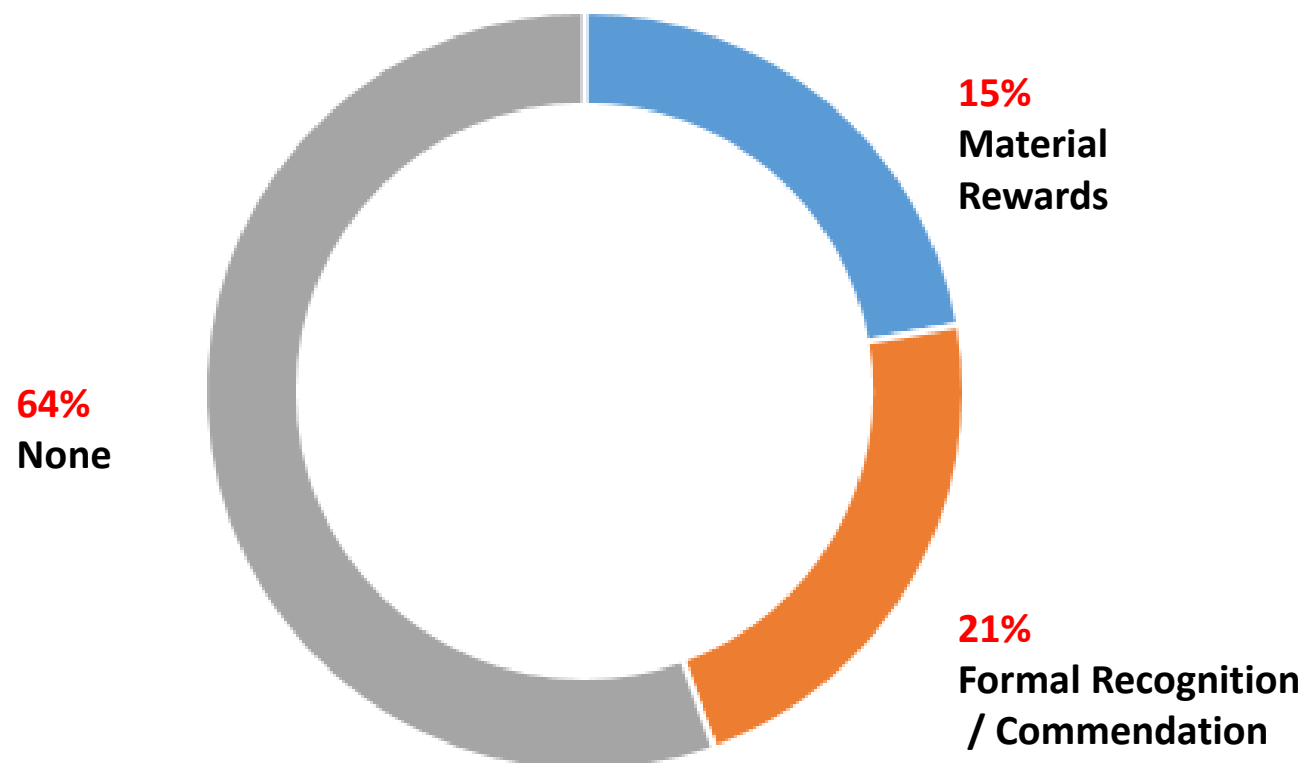
**To what extent is the  
Chief Risk Officer  
independent on  
making decisions on  
risk-related issues?**



**How are risk managers given opportunity to actively participate in decisions on strategic business issues?**



What **incentives**  
exist in your organization  
for prudent risk taking?





**At which of these levels of your organization is Risk Management carried out as part of regular work practices?**

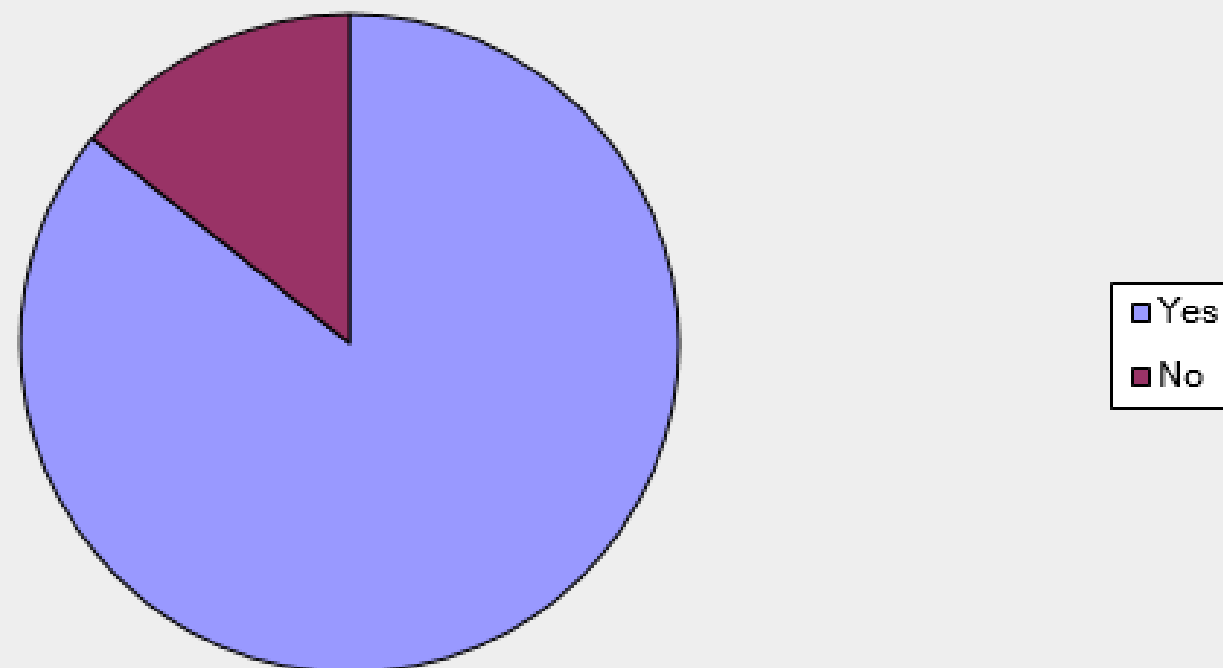
Answer Options	Response Percent	
Board	87.5%	
Executive Management	87.5%	
Risk Department	87.5%	
Corporate	62.5%	} <b>Good or Bad</b>
Consumer Banking	75.0%	
Treasury	62.5%	

**Which of the following departmental heads are trained in "Risk management"?**

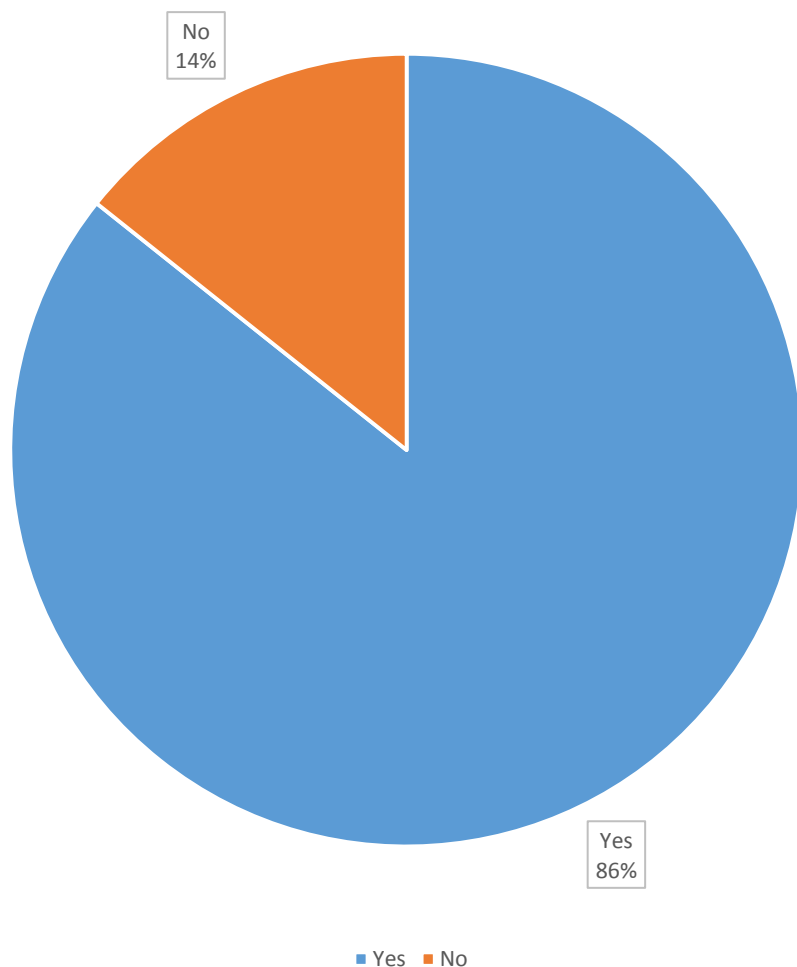
Answer Options	Response Percent
Operations	87.5%
Branch Managers	100.0%
Treasury	100.0%
Finance	87.5%
Information Technology	87.5%
Risk Management	87.5%
Internal Audit	87.5%
Marketing	75.0%
Legal	87.5%
Corporate Banking	87.5%
Consumer Banking	87.5%

Potential cause of "Well Fargo" type reputational Risk

**Is there an explicit documentation of Risk Appetite in your organization?**



Is there an explicit documentation of **Risk Appetite** in your organization?



**To what extent is risk appetite considered as part of strategy-setting?**

Answer Options	Response Percent
Always	57.1%
Half of the time or less	14.3%
More than half of the time	28.6%

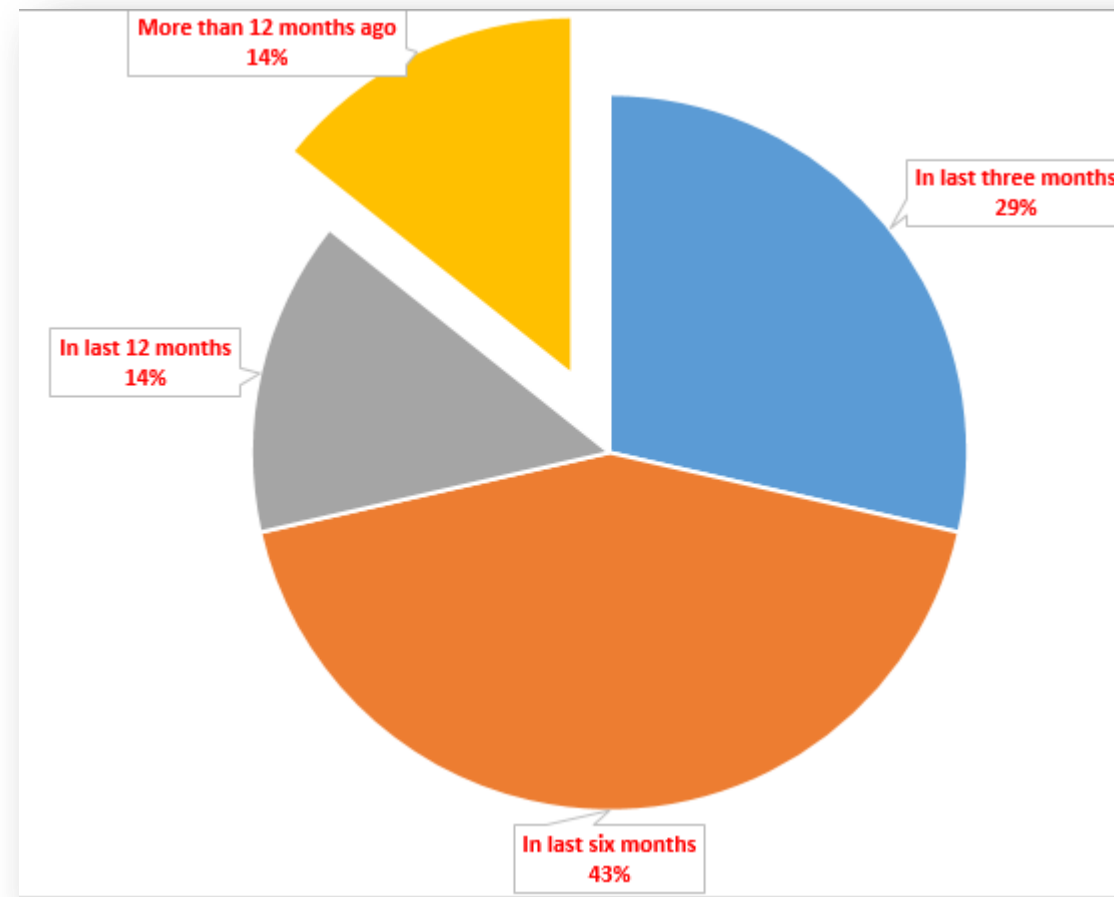
**Is there an established process by which Risk Appetite is periodically reviewed?**

Answer Options	Response Percent
Yes	100.0%
No	0.0%

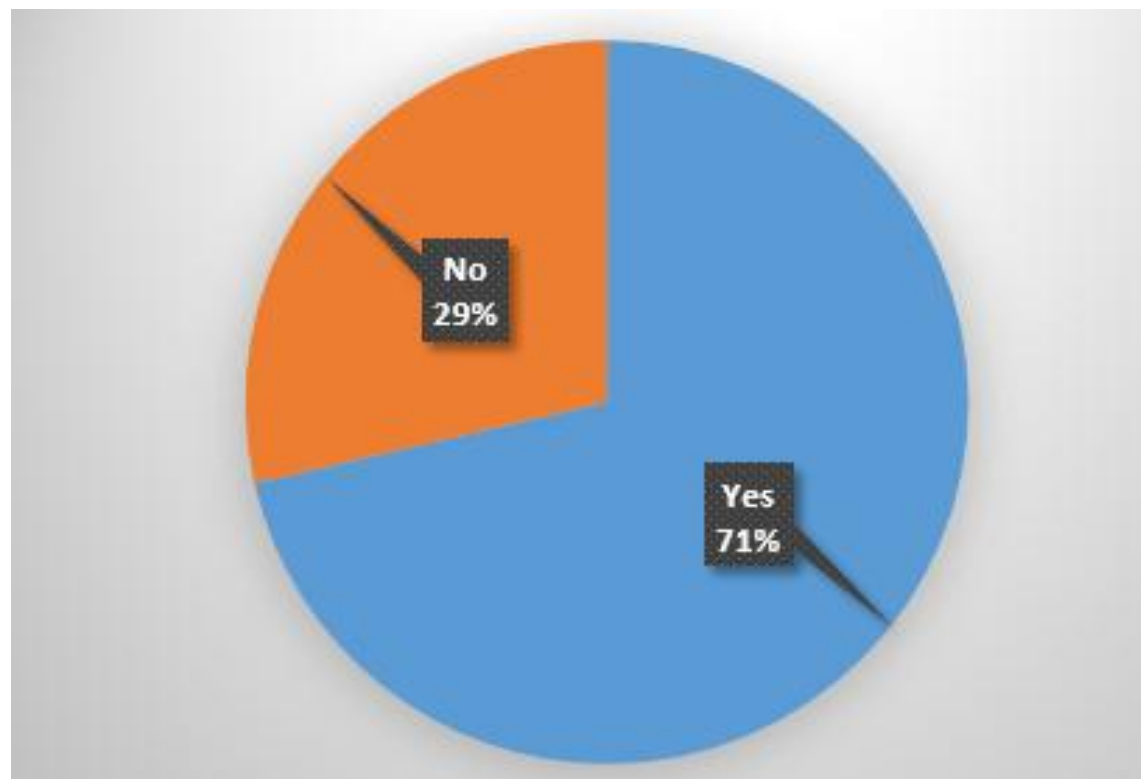
100% claimed to have a  
Stress testing  
methodology in place



When did your organization last review it's Stress Testing methodology?



Has your  
organization  
**started to  
implement  
changes for  
Basel II?**



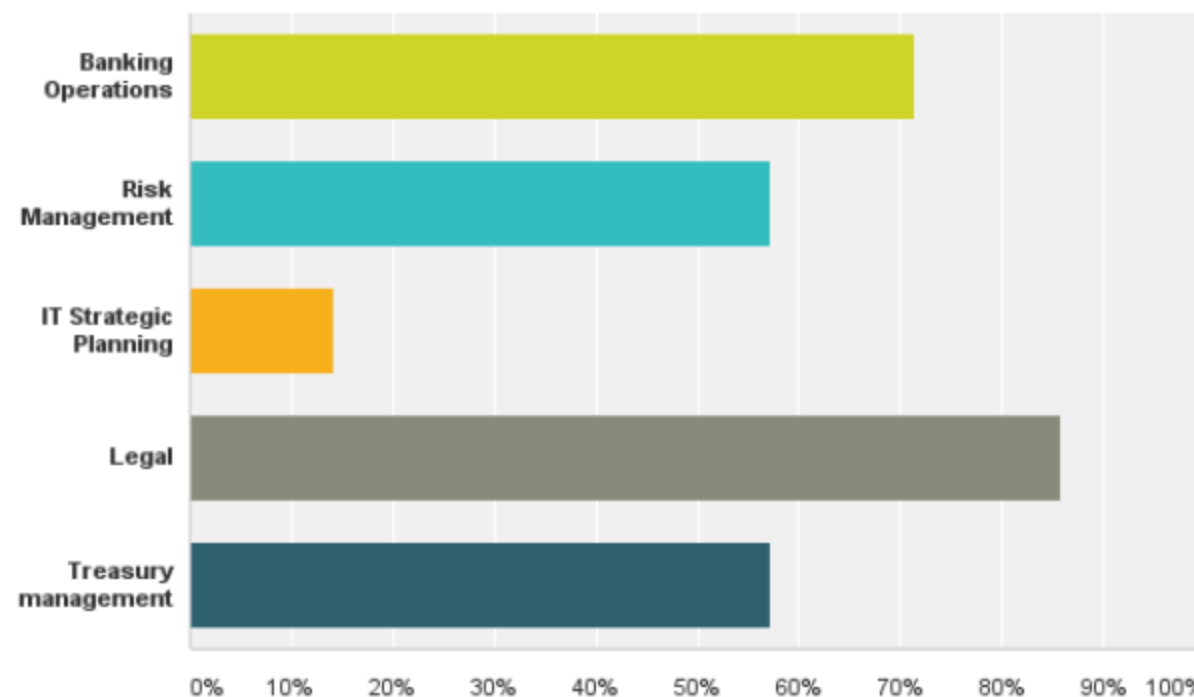
## Which of the following impacts do you foresee Basel II having on your organization?

<b>Increased cost of business</b>	60.0%
<b>Exiting lines of business</b>	20.0%
Exiting some geographical territories	0.0%
Adjusting product offerings	20.0%
Increasing head count	0.0%
Decreasing headcount	0.0%
Need to incentivise longer-term deposits	20.0%
More aggressive pricing to encourage longer term funding	0.0%
Which of the following impacts do you foresee Basel II having on your organization?	20.0%
<b>Not sure what the impact would be</b>	20.0%
<b>Not adequately discussed</b> in my organization yet	20.0%

## Does the board consist of members with Risk Management expertise?

Answer Choices	Responses
Yes	71.43%
No	14.29%
Not Sure	14.29%

## Which of these expertise exist on the board?

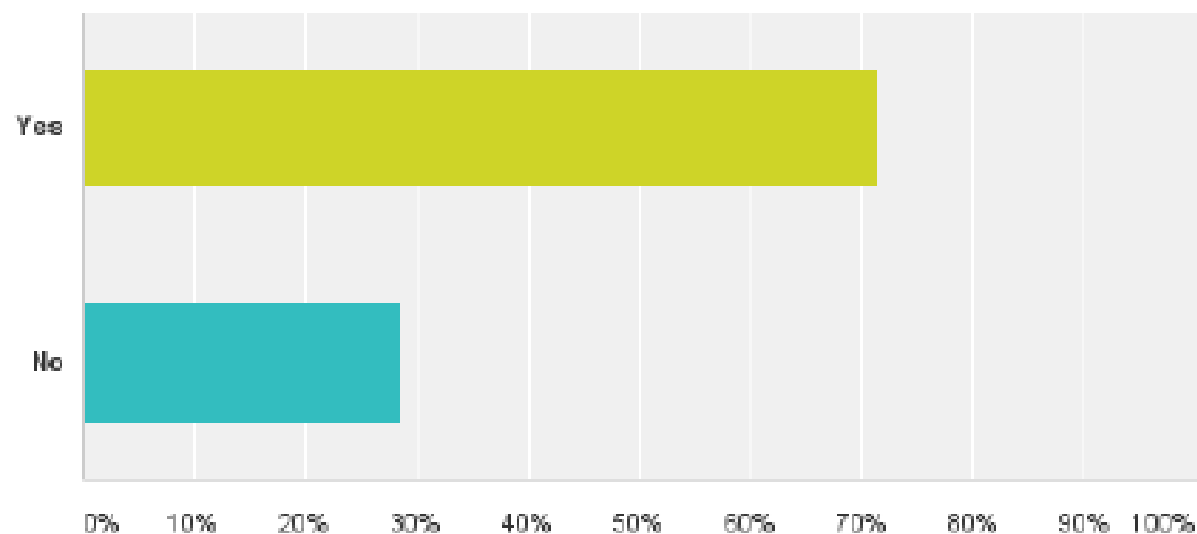




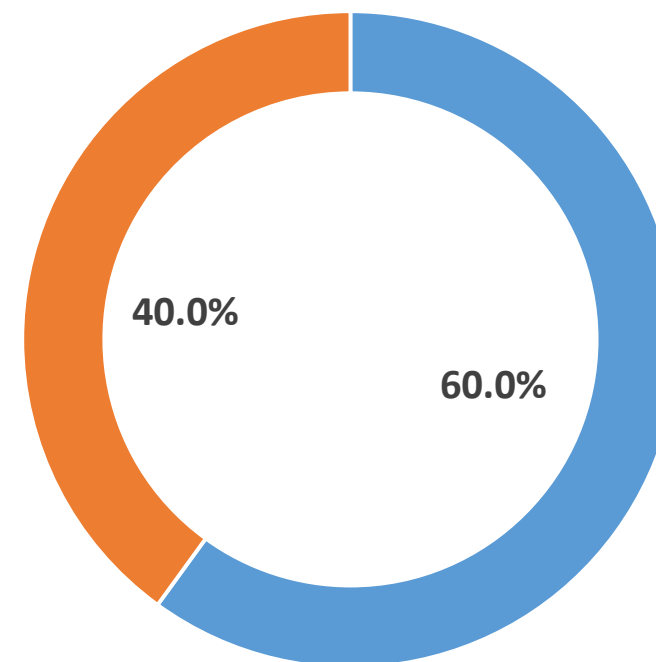
Which of these are included in your organization's Risk Framework?

Answer Options	Response Percent
Risk Appetite	86%
Risk Culture	100%
Governance Structure	100%
Board Responsibilities	100%
Integrity and Ethical Values	71%
Documented Risk Policy	100%
Risk Management Procedure	100%
Organizational Risk Register	86%
Risk Management Committees	86%
Committees' Responsibilities	86%
CRO Responsibilities	86%
Risk Management Function Roles	86%
Regular Monitoring and Review	86%
Risk Reporting	100%
Risk Philosophy	86%
Key Risk Types Identified	86%

Is there a documented and shared process (including policies) that clearly spell out decisions / actions that require **CRO's approval / sign off**?



Is every end-user trained in the process?



# Top 10 Issues

1	Credit risk
2	Operational Risk
3	Liquidity management
4	Risk Framework
5	Capital Management
6	Reputational risk
7	Risk Appetite / Tolerance
8	Market Risk
9	Risk Function under the Chief Risk Officer
10	Stress Testing
11	Basel II
12	Board / Executive Oversight of Risk
13	Board / Executive Oversight of Risk
14	Availability of Experienced Risk Professionals

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