

Enterprise risk management

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Course objectives

- Master ERM fundamentals : understand the principles, frameworks, and benefits of ERM
- Analyse and measure risk: learn to identify risk, assess and quantify risks using qualitative and quantitative tools
- Understand the implementation of ERM and best practices

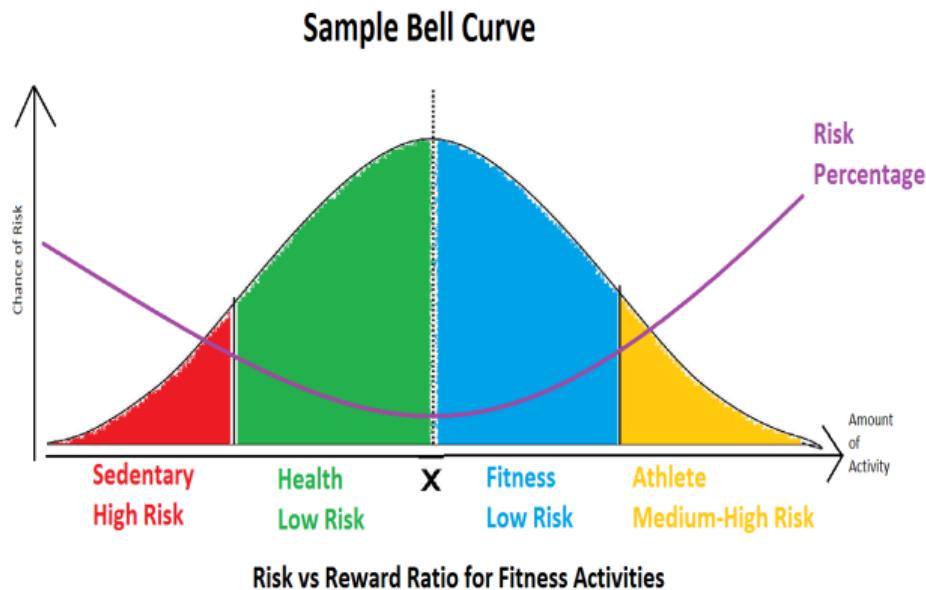
ERM: fundamentals

Understanding risk: preview

- Let consider the following situations:
 - You are in vacation in Cote d'Ivoire and decide to have an outdoor gathering with friends at the beach. → What could possibly go wrong ? How likely could this happen ? if it does happen, will it be very harmful ? What can you do to prevent the event from happening or reduce the impact ?
 - You got involved in a car crash → Is it necessarily someone fault or is it just one of those things that happen in life ?

Understanding risk: a definition

- Bernstein (1996) defines risk as the uncertainty around the outcome of a decision, process or event which can be negative (losses) or positive (benefits or opportunities).



Understanding risk: key characteristics of risk

- Uncertainty : outcomes are not guaranteed or predictable
- Dual nature: risk is not only about threats or losses, it can also includes opportunities
- Measurable dimensions:
 - **exposure** → what is at stake ?
 - **probability** → how likely is it possible ?
 - **severity** → how bad (or good) could it get ?
 - **time** → how long ?
 - **correlation** → can it escalate or drive other risks ?

Understanding risk: categorization

- Can you identify the risk type in the following scenarios ? (let guess together)
 - A large international bank experiences a sophisticated ransomware attack that encrypts critical customers data and shuts down online banking services for almost 2W.
 - The government announces overnight that all cryptocurrencies transactions are banned taking effect immediately, forcing fintech companies to halt operations immediately.
 - **severity** → how bad (or good) could it get ?
 - **time** → how long ?
 - **correlation** → can it escalate or drive other risks ?