



ARROW[®]

Risk Based Regulation

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Risk Management Stages





Why be risk based?

- Making the implicit, explicit
- Resource optimisation
- Focus
 - Breadth
 - Scale
 - History
- Sound, consistent justification for action
- Provides a measure of success/failure



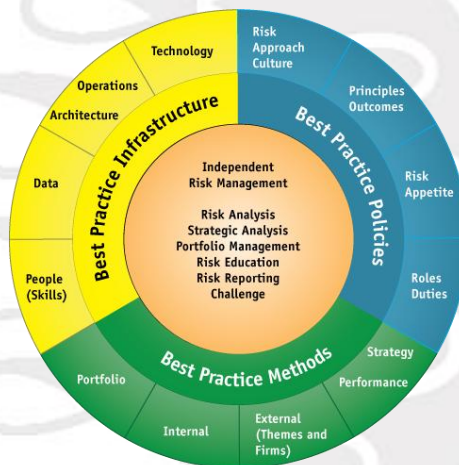
Creates Incentives

- Regulatory response is proportionate
- Transparent
- Consistent
- Pro-active
- Non-zero failure encourages market discipline



We aim for best practice

To deliver an integrated approach to risk and resource management that enables us to manage our portfolio of risk and our resources in a dynamic way that is consistent with industry best practice.



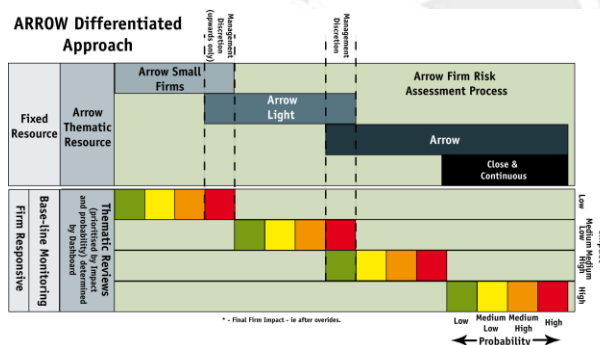
Policies

Aligning Risk policies to the FSA's desired outcomes

- Risk models reflect our risk appetite
- Outcomes
- Principles



ARROW Differentiated Approach



Methods

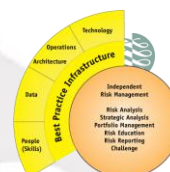
Identifying, measuring, monitoring and controlling risk



Infrastructure

Delivering risk methods & policies to the FSA & stakeholders

- Significant investment in staff skills
- Better use of data
 - Sectors and Peer groups
- Technological Investment
 - Improve communication and efficiency
- Risk Management often demands complexity but embedding requires ease of use



Risk Management

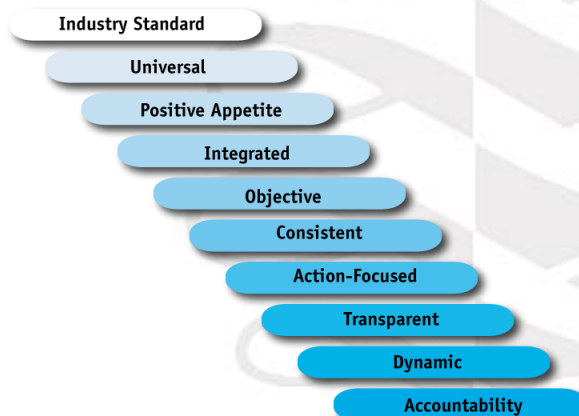
Assisting the business to make better decisions

- Managing change
- Improving the Risk Culture
- The information business
- Challenge
- Measuring Performance

Independent
Risk Management

Risk Analysis
Strategic Analysis
Portfolio Management
Risk Education
Risk Reporting
Challenge

FSA Risk Principles



Key dependencies



- A concept of risk that is shared across the organisation - bringing risk-based decision-making to individual processes
- An agreed system of measuring risks across a defined risk universe
- Genuine risk-based resourcing (whether measured in human skill, technology or cash terms)
- Accountability - clear articulation about the action that is to be taken and by whom once risk thresholds have been breached

