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FOR IMMEDIATE RELEASE, OCTOBER 13, 2011: CAPITAL MARKET RISK ADVISORS RELEASES RESULTS OF RISK GOVERNANCE SURVEY

Capital Market Risk Advisors, Inc., www.cmra.com (CMRA), a leading risk management, risk governance, and litigation support boutique for the past 20 years, today released the results of its 2011 Risk Governance Survey. To see the full report, click [here](#).

In the wake of the financial crisis, risk governance has emerged as a key topic. What role should a Board play in risk oversight? Should Risk Attitude be addressed in Risk Appetite statements? How should compensation be properly risk adjusted? These and other questions are increasingly being debated in boardrooms around the world, as well as by politicians and regulators.

In the midst of this debate, it is important to understand the approach financial institutions are currently taking to Risk Governance and the plans they have for the future. The attached survey represents what we believe is the most comprehensive Risk Governance benchmarking exercise to date.

"As a Bank Director myself I am particularly pleased to see an increase in responses from Directors themselves to this year's survey", said [Leslie Rahl](#), Managing Partner of CMRA, derivatives pioneer, and one of the "Top 100 Most Influential People in Finance" in the June 2010 rankings of Treasury & Risk Magazine.

The survey of both U.S. and foreign banks, pension funds, asset managers, and insurance companies found that:

CRO

- 90.6% of CROs have both strategic and a control role, up from 66% last year
- 62.5% of respondents with a Board and a CRO have executive/in-camera sessions

RISK ADJUSTED COMPENSATION

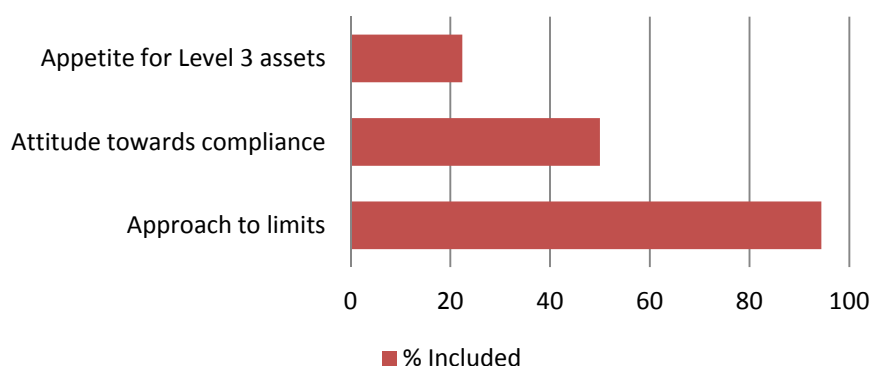
- Only 47.2% of respondents incorporate risk attitude and adherence to policies in their compensation process
- Only 36.1% make adjustments for actual risk usage
- Only 44.3% of respondents differentiate between unrealized vs. realized profits when considering compensation

STRESS TESTS

- While most respondents stress tested their exposures to market moves during the lead up to the debt ceiling deadline, only 48.6% stress tested their exposure to collateral haircuts

RISK APPETITE STATEMENTS

- 61.1% of respondents include “risk attitude” in their risk appetite statements



- 47.2% of Boards get minutes of Senior Management Risk Committee meetings
- Boards are increasingly reviewing counterparty, liquidity, and operational risk information, but model risk is reviewed by less than 17% of the firms responding

"As a former senior manager and a current board member, I think the trend towards including "risk attitude" in risk appetite statements is key to aligning the goals of management and the board" said [Peter Niculescu](#), Partner of CMRA, former Executive VP of a \$1 Trillion portfolio at Fannie Mae, former Goldman Sachs Managing Director and Head of Fixed Income Research and Yale Ph.D.

"The results show a quickening trend to the use of more comprehensive risk management practices. This is in part driven by increased questioning about risk management from customers, regulators, and rating agencies." said [David Tyson](#), a Managing Director at CMRA and former CIO of Travelers, who has been implementing risk management practices in the asset management and insurance industry since 1979 and has served on key Citigroup and Travelers governance committees.

ABOUT CMRA



[Capital Market Risk Advisors \(www.cmra.com\)](http://www.cmra.com) is the pre-eminent financial advisory firm providing risk management advisory and litigation support services to investment and commercial banks, insurance companies, institutional investors, mutual funds, hedge funds, funds of funds, and other market participants. Founded in 1991, we offer clients a unique perspective based on founder [Leslie Rahl](#) and partner [Peter Niculescu](#)'s and Managing Director [Dave Tyson](#)'s collective 100+ years of hands-on experience in risk management, trading, portfolio management, asset liability management, and knowledge of industry best practice.

Our [advisory services](#) include assessing risk exposures and advising on risk management and strategy, the valuation of complex or illiquid instruments, and benchmarking risk management and risk governance practices against best practice. We also advise senior managers and Boards with respect to all types of risk management and [risk governance](#) issues, developing risk appetite statements, advising on risk reporting and communication, and reviewing and drafting risk management and compliance policies and procedures.

As pioneers in the derivatives and mortgage businesses and seasoned veterans with front-line as well as Board, governance and regulatory experience, we at CMRA have played a leadership role in establishing best practices in financial services. Our ability to understand the quantitative details while simultaneously understanding Directors' needs uniquely qualifies us to "translate" and "demystify" complex issues for Boards.

The synergy between our advisory and [financial forensic/litigation practices](#) helps us provide clients with unique insight about what can and does go wrong in managing risk and informs our perspective in an unparalleled way. Additionally, our work with both the buy- and sell-sides of firms on six continents provides us with an unmatched point of view in solving seemingly intractable problems.

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