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*Actuarial Society of  
South Africa  
Banking Seminar*

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# *Contents*








- Eight core issues that are transforming the financial services landscape
- Risks facing management in financial services and need for effective risk management
- Need for regulation
- Extent of monitoring and responsibility
- The role of actuaries in the banking environment

# Eight core issues that are transforming the financial services landscape

Blue 1.0: Global trends

Blue 2.0: Redefining financial services

## Project Blue framework

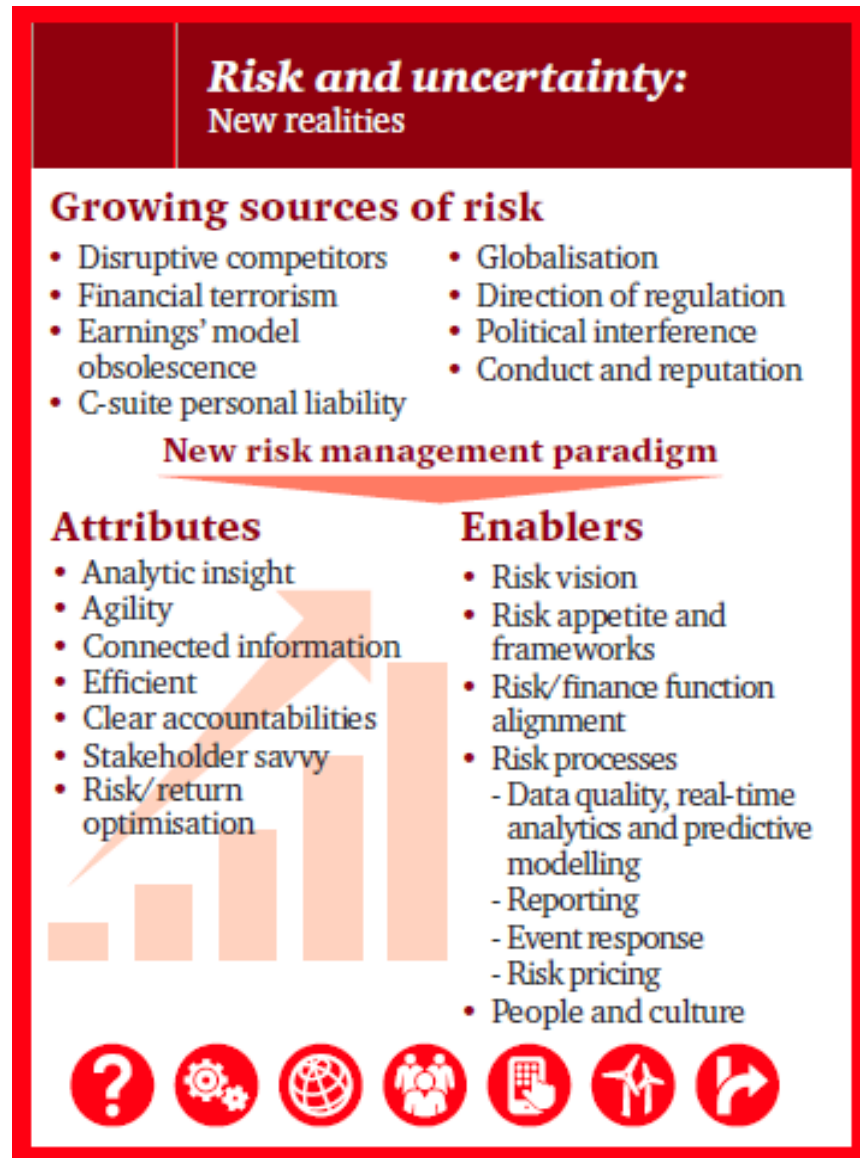
<b>ADAPT</b>	<b>Instability and uncertainty</b> 			
	Regulation	Fiscal policy	Monetary policy	Political and social stability
	<b>Rise and interconnectivity of the emerging markets (SAAAME)</b> 			
	<b>Demographic change</b> 			
<b>PLAN</b>	<b>Social and behavioural change</b> 			
	<b>Technological change</b> 			
	<b>War for natural resources</b> 			
	<b>Rise of state-directed capitalism</b> 			

## 8 core issues

1. Rebuilding trust
2. Industry redefinition
3. The direction of regulation
4. New face of the customer
5. SAAAME financial systems
6. Tipping point economics
7. Financial institution reinvention
8. Risk and uncertainty

\*\*South America, Africa, Asia and the Middle East (SAAAME)

# Risk and uncertainty



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## *Does the Risk Committee understand?*

- Application scorecards;
- Behavioural scores;
- Collections scores;
- Profitability models;
- Provision models;
- IBNR, PDs, LGDs;
- How do we calculate impairments ?
- When is a model a good one ?
- What controls should be in place around models ?

*\*\* Per Gustav Raubenheimer*

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## *Model risk*

- Up to date inventory of models in the bank (with importance / risk rating A, B, C)
- Model policy and description
- Approval process
- Validation process
- CRO must be able to assess models

# Regulation

## Regulation

- Ongoing debate over the role of the financial system and requirements for long-term financial stability
- Regulation reform to continue to play out over the next decade
- Shift from prudential to conduct regulation
- Domestic agendas to take precedence over international harmonisation
- Scope to extend to all companies that deliver financial services
- Tougher regulation of foreign institutions



# *Role of actuaries in banking*

Understanding, modelling & managing a range of risks

1

Credit risk, operational risk, market & liquidity risk

Understanding use & limitations of complex statistical & mathematical models

2

Pricing, capital, financial reporting & stress testing

Long term forecasting

3

Regulatory requirement(IFRS 9 & 13) for lifetime projections

Proven track record

4

Profession synonymous with bank risk modellers

Application of informed judgement due to lack of data

5

Operational risk, Corporate and wider African environment



# *Role of actuaries in banking*

Interaction of risks

6

Understanding interaction of various risks such as credit & market risk (CVA)

Operating in principles based regulation

7

Financial reporting & capital standards are not explicit

Social responsibility

8

Awareness of TCF & client focus

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## *Closing remarks*

- Identify the Top 3 or Big 5 issues
- Less is better ( explain things in 3 minutes ... if you can't, maybe you don't understand it?)
- See situations for what they are and how they may play out

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# *Thank you*

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