



risk management and assessment for business

Did Risk Management Cause the Credit Crunch?

Gary White



Background

- n Financial Institutions 'burned' by numerous loans / products defaulted on
- n Usual Question – Why, if their Risk Management is so good, did not it pick this up?
- n Flipside, Could their risk management practices have caused them to follow more and more (with hindsight) risky practices?



Discussion

- n What objectives are risks being identified against
 - Best practice to align risks to company objectives in many RM standards)
 - But WHOSE objectives and are they the right objectives
 - Hidden Objectives?

- n Who / What is the risk manager protecting?
 - Shareholders
 - Board of Directors
 - Chairman?

- n May be easy to see how, following certain objectives and ownership can cause different paths
 - E.g. Lloyds vs rest of sector 2007 - 2008