

## *Support PSF*

# Towards an optimised risk management in accordance with requirements set in CSSF Circular 12/544

Attention paid to risks and risk management by regulators, clients, boards, and key stakeholders is continuously increasing. Companies are facing unprecedented levels of risks and are studying what is needed to better identify and manage significant risks. These include strategic, operational, financial, compliance and/or reporting risks.

The increasing complexity of processes and the fast pace of technological innovations have spawned new business models, along with new threats. With a robust risk management process in place, you can gain a significant advantage over your competitors while complying with applicable regulation.



# A regulatory requirement

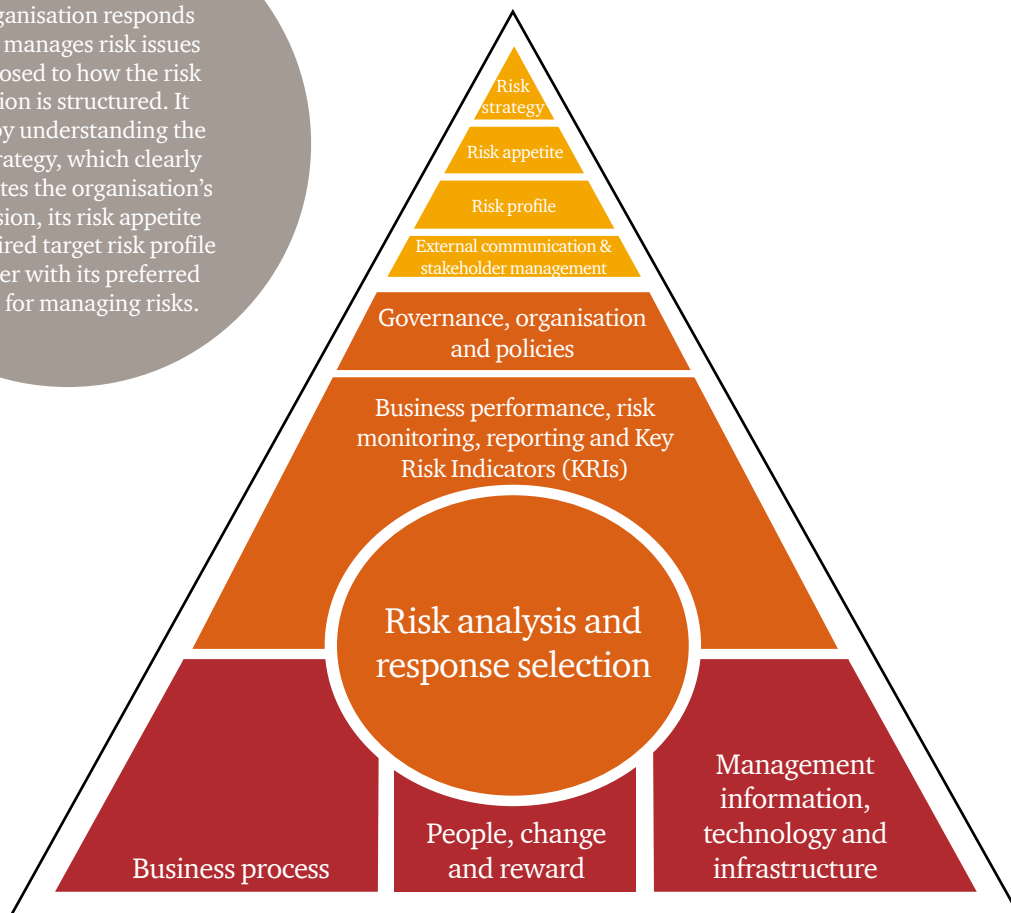
Your company, as a support PSF authorised under Art. 29-1 to 29-6 of the amended Law of 5 April 1993, has the obligation to develop and implement a continuous risk management system. This will allow you to proactively identify, assess and mitigate all risks that could stop you from reaching your objectives, and ultimately the objectives of your clients. This exercise leads to the issuance, each year, of a Risk Analysis Report and a Descriptive Report, as requested by the CSSF circular 12/544.

## More than a regulatory requirement: a strategic imperative

Beyond regulatory compliance, deploying an integrated risk management system can help you reach your business objective. You will be able to optimise your business performance based on a better understanding of the business commitments which reflect your corporate strategy, objectives and risk appetite:

- You will enhance your performance as a result of a well-focused and aligned organisation, culture, processes and technologies;
- You will better allocate your resources and improve the efficiency of your processes; and
- You will enhance your internal control environment and on-going ability of management to demonstrate that the business is under control.

This diagram describes how an organisation responds to and manages risk issues as opposed to how the risk function is structured. It starts by understanding the risk strategy, which clearly articulates the organisation's risk vision, its risk appetite and desired target risk profile together with its preferred model for managing risks.



● Business strategy

● Business management

● Business platform

# Enforcement of the circular: current situation of the Support PSF

The full application of the CSSF Circular 12/544 represents a significant investment. The use of external assistance to help you define and set up a continuous risk management function could be a cost-efficient way to achieve it. Depending on the complexity of your organisation and the level of services provided to PSF, the initial time investment to draft both the Risk Analysis Report (RAR) and the Descriptive Report (DR) can easily reach an average of 30 days.

However, this exercise, when adequately carried out, shows immediate benefits. It contributes to the identification of new operational risks, the definition of new controls, the formalisation of processes, and improved planning of internal audit missions. The Descriptive Report, for its part, should lead you to consider how your internal organisation works and how the Support PSF is positioned within the group. Following its first years of implementation and the analysis of the first reports, the CSSF may amend or precise some parts of the circular. It may also require you to reinforce some aspects of your organisation related to risk management, internal audit and internal controls.

## Our services dedicated to Support PSF

### Risk mapping: identification and assessment of your risks

We carry out an initial risk analysis, including identifying, classifying and evaluating the importance of your risks in terms of impacts and likelihood. The analysis also includes recommendations regarding controls to be developed to reduce risk levels and the set-up of a related action plan.

### CSSF Circular 12/544: Issuance of annual reports (RAR and DR)

We help you understand the requirements set by the CSSF Circular 12/544 and assess the impact their enforcement will have on the current Risk Management Framework (Process, Procedures, Risk Register Structure, etc.). We assist you in drafting your annual reports for the CSSF (i.e. the Risk Analysis Report and/or the Descriptive Report).

### Risk management: Development and implementation of an integrated system

This service can be tailored to your existing risk management system. We help you draft the risk management charter which details the principles, the culture, the risk appetite, the scope as well as the roles and responsibilities of the risk management team. The charter will be the basis for a risk management system and will be completed by operational procedures and tools.

With your help, we will establish a risk management framework that will integrate the charter's concepts with practical procedures. As a consequence, any changes to the framework must be aligned with the content of the charter.

### Development and implementation of risk management and internal audit tools

We assist you in developing integrated tools to centralise, document, communicate and monitor risks and related controls (risk register, risks/incidents database, etc.).

### Assistance in updating your risk analysis or performing specific risk analysis

We can take charge of specific tasks for updating your risk register:

- Organisation of biannual meetings to identify new risks and monitor the implementation of action plans;
- Formal updating of your risk register;
- Focused risk analysis on a specific/strategic new activity or project;
- Information risk analysis, etc.

### Training on risk management

This training gives participants a clear overview of risk management and its benefits. They will be given a complete methodology to deploy a full risk management system and shown how can be integrated into the organisation.

## ***Your contacts***



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