Deposit Protection Corporation

Protecting Your Deposits

Deposit Protection Scheme
Highlights

Deposit Insurance Enterprise Risk Management

Enterprise Risk Management (ERM) is an integrated approach to assessing and managing all risks that threaten an organisation's ability to achieve its strategic objectives. Thus, ERM for deposit insurers (DIs) entails a coordinated approach towards identifying, assessing, measuring, monitoring, controlling and mitigating risks in respect of the DI's enterprise as a whole.

All deposit insurers, regardless of mandate, face risks in connection with the fulfillment of their mandate. Some of the risks faced by deposit insurers include: the risk that a DI's available funds are insufficient for the interventions required (funding risk); the risk that a DI may suffer losses from the investment of its financial resources or from having to hastily convert assets into cash to meet its funding needs (investment risk), the risk that the DI cannot convert its assets quickly enough (liquidity risk) as well as risks emanating from inadequate internal processes, people and systems (operational risks/IT risks) which could negatively impact on the procedures established for the reimbursement of depositors in a specific timeframe.

An ERM framework facilitates the development of a common understanding of risk across the DI's operations. It fosters the development of a common risk language, ensures timely identification and management of risks and allocation of resources to the risks that are considered most significant. It also provides reassurance to the DI's stakeholders that the deposit insurer is aware of its risk exposure and that it has a framework in place to monitor and manage those risks. An ERM framework guides a DI to articulate its risk appetite, risk culture, risk capacity, risk tolerance limit and the risk exposure.

Risk Appetite - is the amount of risk-taking an institution is willing to accept in pursuit of its mandate. A clearly documented risk appetite statement guides staff on which risk exposures are acceptable and unacceptable, thus facilitating risk-informed decision-making across an organization. It is established by an organisation's board and serves as a guide for setting strategy, goals and objectives. When defining risk appetite, aspects such as risk culture, risk capacity, risk tolerances, strategy & objectives, risk exposure and policies and controls should be considered.

Risk Culture - is a set of shared beliefs and values regarding the management of risks. It should be promoted at all levels of the organization by the DIs' governing bodies.

Risk Capacity - is the maximum level of risk an institution is able to assume given its capital base, risk management and control capabilities, and its regulatory constraints.

Risk Tolerance - is the acceptable level of risk threshholds relative to the achievement of an organisation's objectives. DI tolerances can be low, high or zero and can be applied to detailed areas such as depositors' data security, deposit reimbursement, deposit insurance fund losses or timing of intervention, depending on the mandate of the DI.

Risk Exposure - is a measure of possible future loss (or losses) which may result from an activity or occurrence. It is often used to rank the probability of different types of losses and to determine which losses are acceptable or unacceptable.

For more information on the Deposit Protection Scheme contact:

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