



Responses should be sent to riskappetite@centralbank.ie

1st September 2014

Re: Response to Discussion paper on Risk Appetite

Dear Sir/Madam,

Thank you for the opportunity to comment on the Central Bank Risk Appetite Discussion Paper. We welcome this Discussion Paper, and we appreciate that the importance of the implementation of an effective Risk Appetite Framework within regulated undertakings is to increase the focus on effective risk management in the financial services industry in Ireland. Aon welcome any proposals which will promote the implementation of an effective Risk Appetite Framework and in particular, we believe it is important to follow any initiatives and developments recommended at EU level. Aon represents the interests of approximately 50 re/insurance regulated entities, engaged in cross-border activities. This submission represents the views of Aon.

As a general overall comment on the paper we would be grateful if the CBI could outline what it expects in terms of the outcome of this discussion process.

Given the imminent introduction of Solvency II we believe it is essential that discussions on the risk universe faced by regulated (re)insurance undertakings should be conducted in reverence to maximum harmonisation of the Solvency II Directive.

We welcome the fact that the Central Bank does not wish to recommend a prescriptive approach on what should or should not be included in a Risk Appetite Framework. We welcome the approach adopted by the Central Bank as it takes into account the changing nature of each organisations strategic goals. However, we believe that any future recommendations/developments made in relation to the requirements of an effective Risk Framework should be considered in conjunction with the nature scale and complexity of an undertaking.

In the below, we have addressed some of the questions raised and if deemed appropriate, we would welcome the opportunity to discuss our responses with you in person.

Thank you and best regards,

Yours Faithfully

Ann O’Keeffe

Chief Financial Officer

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- We believe that all organisations would benefit from having a risk appetite framework as part of their risk management strategy. The management of risk is a critical aspect of any business and this needs to be understood and aligned with the business goals of the company.
- We do not believe it would be desirable for the CBI to be issuing guidance on risk appetite statements as this may prove overly structured and may not address the diverse nature of different organisations and in turn the individual nature of risk appetite statements. It is important for industry participants to be familiar with the various concepts of risk and effective risk management. This could be facilitated by the CBI, but we believe that it should only be for educational purposes rather than provision of guidance.
- As discussed in the discussion paper, various risk terminology are used interchangeably. We believe that it is important to have agreement on the definitions of the terminology to minimise or eliminate misunderstandings within industry and the EU.

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