

RMA'S 2014 Annual Risk Management Conference: New Regulations, New Challenges

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As the country pondered political issues in preparation for the upcoming election, credit risk and regulatory issues were on the minds of bankers and regulators from across the globe at RMA's Annual Risk Management Conference, held October 26–28 in Washington, D.C.

Welcoming more than 640 attendees from the U.S., Canada, Germany, Dominica, and Nigeria, the conference focused on a wide range of topics: cyber security, HELOC portfolio risk strategies, construction and leveraged lending, model validation, changes in accounting practices regarding expected losses, risk issues facing community banks, communication of risk appetite throughout the institution, and other regulatory issues. In addition, the conference welcomed keynote addresses from Martin Gruenberg, Charles Krauthammer, John Silvia, and Spyro Karetzos.

In her address to the conference attendees, RMA Chair Nancy Foster said that, like RMA, which is beginning its second century, the industry has a fresh start of sorts, too. It has emerged from the most serious economic shock since the Great Depression, and economic indicators finally seem to be improving after a slow recovery. However, she added, banking's new era also comes with a challenging landscape that includes numerous new regulations and threats.

RMA President and CEO Bill Githens gave an update on the state of RMA. He reported that the organization has stress tested its financial position and is fiscally sound and well positioned to continue serving its members. He also announced the formation of The Risk Management Association Foundation, which will provide scholarships, internships, and other resources with an eye toward attracting and retaining the next generation of talent in risk management. The talent gap has been identified by the RMA board as one of the most pressing issues facing the industry, and it was the subject of a recent *RMA Journal* article by Richard Parsons, "The Next Banking Crisis: Talent Risk?" At the conference, Parsons was presented with RMA's Journalistic Excellence Award.

The Role of Risk Management

Opening speaker Spyro Karetzos, director of enterprise risk management at Vanguard, stressed the risk function's importance in safeguarding the reputation and results of financial institutions. The Edelman Trust Barometer now ranks the financial industry below—of all things—the brewing and spirits industry.

Karetzos said it was his belief that, in a few years, banks will move back up in the rankings, but it will take robust risk management. Those entrusted to that role will not win popularity contests and will sometimes be seen as "hall monitors," he said. But the truth is, risk "is not a 'no' function," he said. It's about minimizing risk where appropriate and being cognizant of whether the risks that are being taken are within the bounds of an organization's appetite.

"In everything in life there's a chance something good can happen and something bad can happen," Karetzos said. "The risk manager's job is to skew the odds toward the positive outcome."

Another job of the risk manager is to try and anticipate activities that might seem commonplace now but, because of an approaching shift in markets, society, or knowledge, turn out to be liabilities. He gave the example of children riding in cars without seatbelts. When he was growing up, that was normal, he said. Now, no one would condone it.

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