

NUOVE PROSPETTIVE: IL CRO NEI FONDI PENSIONE E NEGLI ALTRI INVESTITORI ISTITUZIONALI

ORE 16.00

CHAIR

Rosita Coccozza,
Università degli Studi di Napoli



INTERVENGONO

Pasquale Merella, **Green Arrow Capital SGR**
Eugenio Ruggiero, **LUISS**
Alessandro Stori, **Fondenergia**

ISCRIVITI GRATUITAMENTE SU
<https://basilea.abieventi.it/register>

21 SETTEMBRE

#abisupervision

- SEGUI LE SESSIONI
- INCONTRA I PARTECIPANTI
- VISITA GLI STAND
- FAI NETWORKING

TUTTO SULLA NOSTRA
PIATTAFORMA DIGITAL!

SUPERVISION
RISKS &
PROFITABILITY



Pasquale Merella, FRM

Chief Risk Officer
Green Arrow Capital SGR

Promosso da

ABI Associazione
Bancaria
Italiana

Organizzato da



ABISERVIZI ABI
EVENTI

In collaborazione con

dipo
database italiano centre operative

Partner Digitale

BANCAFORTE
innovation key

21 Settembre 2020



AGENDA



Changes on Risk Landscape

1. Risk Perception
2. Risk Culture
3. Risk Transformation

New Risk Frontiers

1. Evolution on Risk Management
2. Potential Cross Fertilization
3. Chief Risk Officer 2.0

Risk Management as Value Creation Process



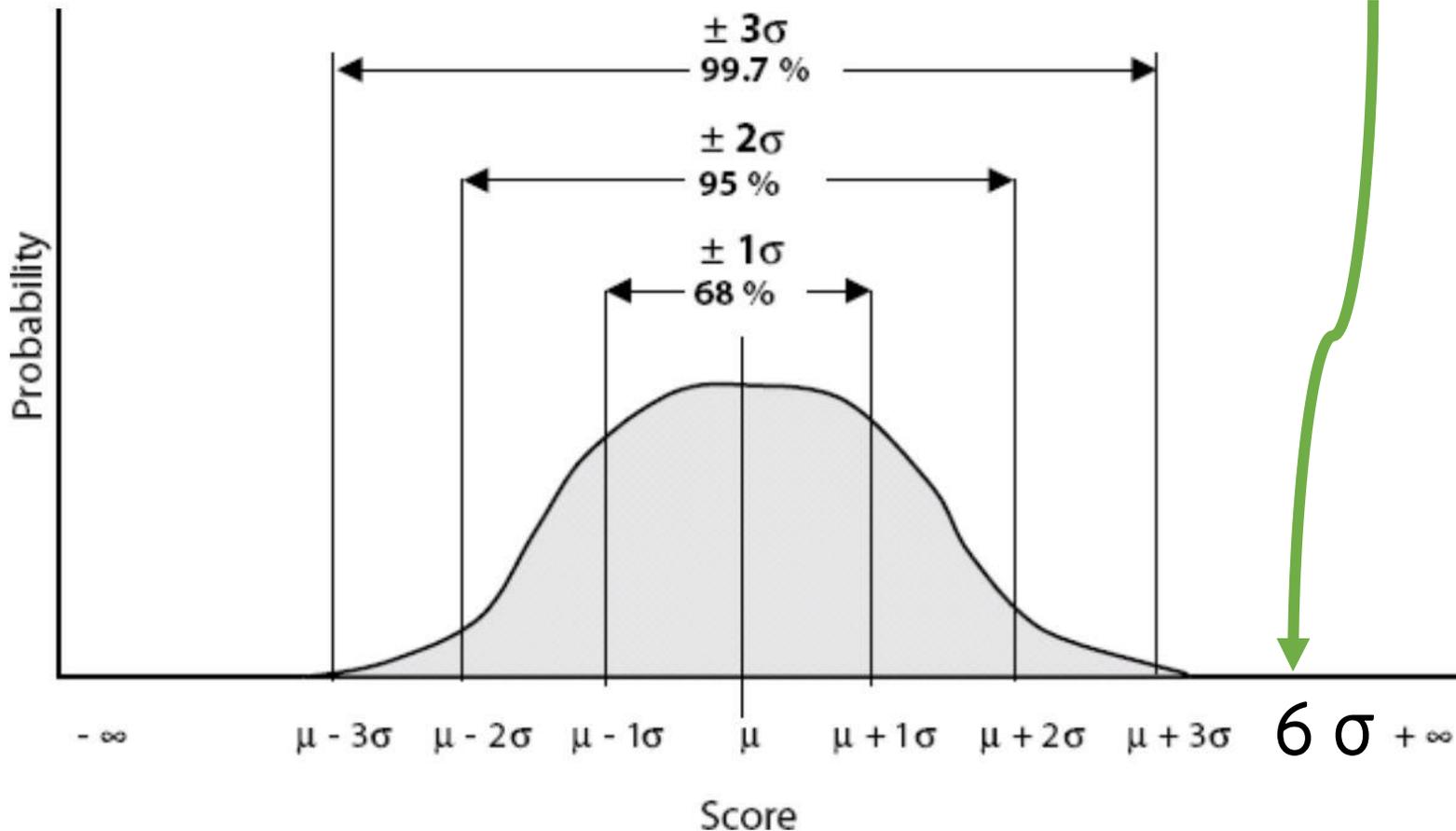
WARREN BUFFETT

“ Risk comes from not knowing what you're doing. ”

CHANGES ON RISK LANDSCAPE

BLACK SWAN \neq SYSTEMIC RISKS

SIX SIGMA level, which essentially means 3.4 defects for every one million opportunities



- Wrong Risk Model?
- Add more complexity?
- Needed new paradigm?

RISK PERCEPTION



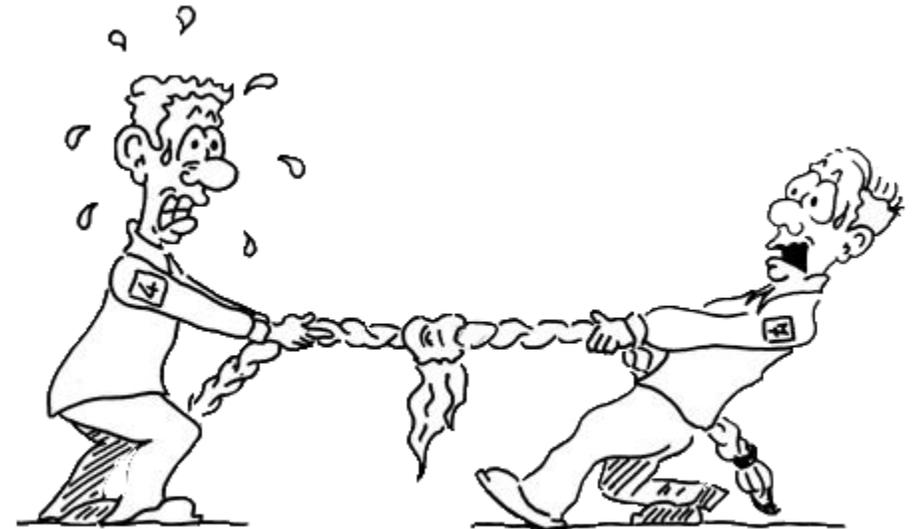
What do you see here? Two animals or just a green tree?
Tip: think about the “Gestalt psychology”



Any offer that looks “too good to be true” usually turns out to be a scam or maybe a spam in your mailbox.



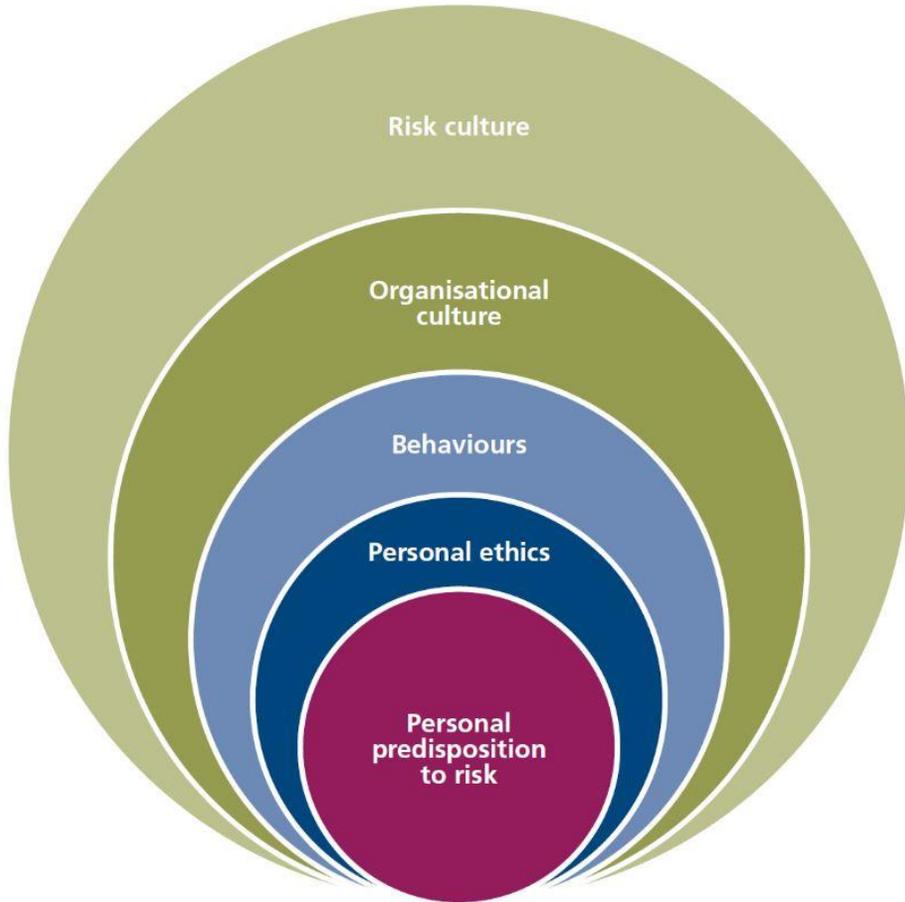
Risk Management is not just about minimizing exposure to **wrong risks**, but it is an effort to increase exposure to **good risks!**



CRO

CEO

RISK CULTURE



Steps to change your risk culture

Evaluate the current risk culture

- Look for hidden and sub cultures
- Use several techniques to surface all cultures

Cultural change requires a sustained effort as the culture needs time to adapt new norms.

What is the impact of the current culture?

- What are its strengths and weaknesses?
- Is this the right culture for our future?

How easily can we adapt this culture change approach to international situations?

What would improve our risk culture?

- Are there regulatory or other external drivers to consider?
- What changes do we have to make?

Continuous review is essential

Plan and implement our cultural change

- What do we need in place to grow and sustain our new risk culture?
- What changes do we have to make?

Monitor and adapt to changes

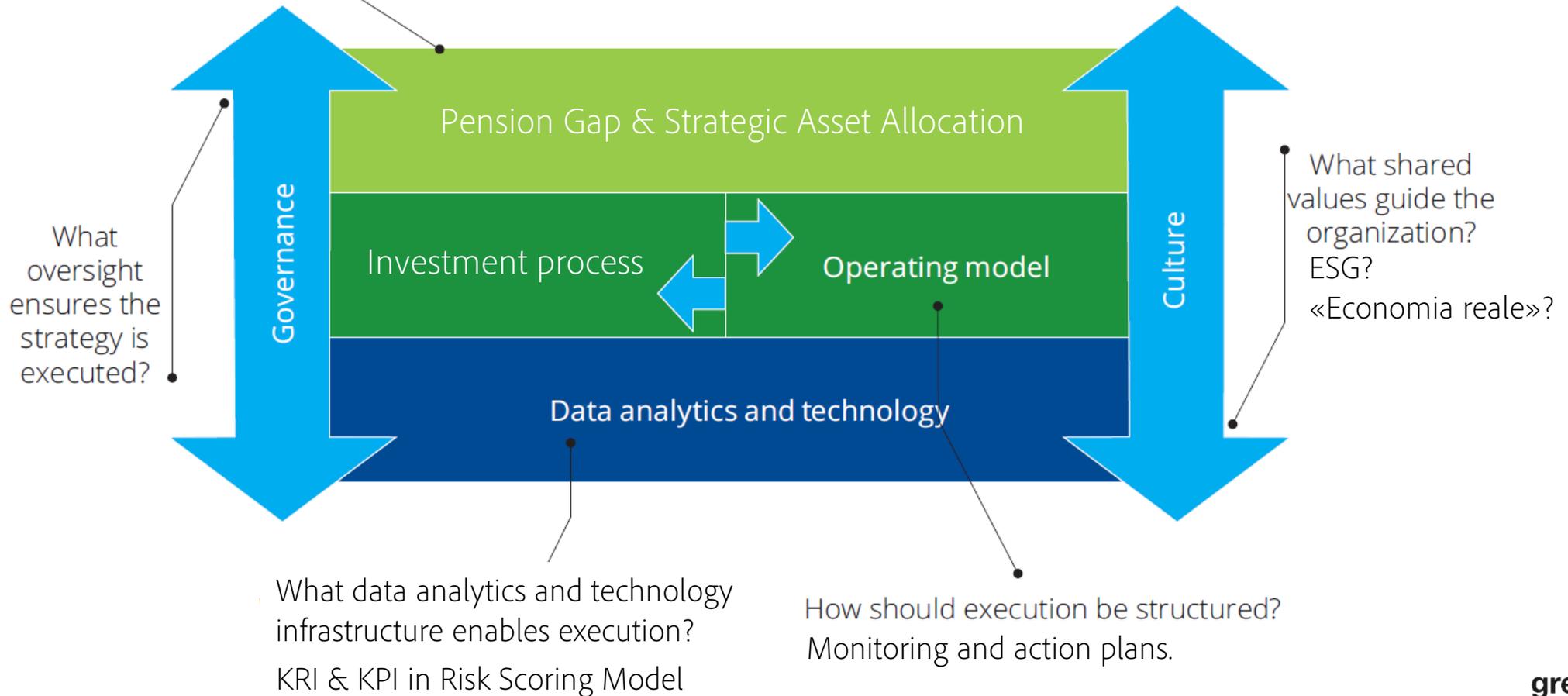
- Are we achieving the outcomes we expect?
- What do we need to change now in light of our progress so far?



RISK TRANSFORMATION

Population distribution and definition of the investment period and performance target

CORNERSTONES OF RISK TRANSFORMATION





EVOLUTION ON RISK MANAGEMENT



MATURITY

Siloed

Compliance Driven

Baseline activities are in place to manage risk but are isolated and fragmented

Transition

Activities focused on improving effectiveness are underway to stabilize processes and expand program scope

Managed

Risk Centric

Operational processes have evolved into a steady state and are now effective, repeatable and sustainable

Transform

Transformative initiatives are executed to build better connection between risk management and business

Advantaged

Opportunity Focused

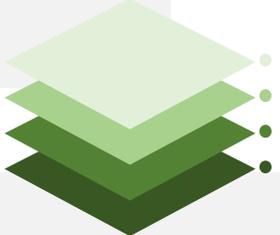
Processes are optimized and balanced by business context and risk priorities
Are you ready to invest in "economia reale" ?



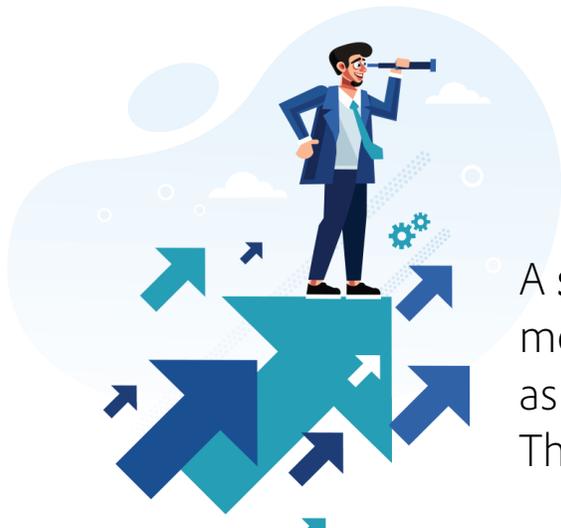
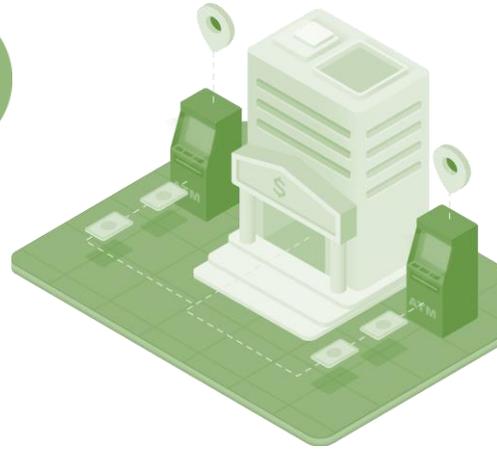
POTENTIAL CROSS FERTILIZATION



The insurance industry has traditionally focused on **operational risks** and extreme event risks. Typically the risk factors are not observable nor traded in the market. It requires specific capabilities to estimate the risks.



Banks are always aware of the **credit risk** of their borrowers. The estimation of the default probability follows strong statistical methodologies.



A **strong Risk Management system** requires full competence of data science methodologies as well as a deep understanding of one's own business such as investment activity in Pension Funds. The interactions with other participants allow to achieve 360° skills.



CHIEF RISK OFFICER 2.0



INTEGRATION

Increasing interdependencies between economies (and business). Larger impact of risk events than in the past (also higher frequency).



CULTURE

Mature institutional investors are those who have a wide diffusion of the risk culture on all processes. All stakeholders are risk managers!



INVOLVEMENT

It is necessary to achieve a strong integration of risk management at the board level to correctly evaluate strategies and risk assumption.



COMPETENCIES

Managing risk today requires specific skills and a full understanding of financial products in relation to return expectations.

3 POLICY IMPLICATIONS

1. Grow up the educational level required from Investors with some Risk Management Certification (FRM GARP or PRMIA)
2. Promote best practices such as Board induction sessions for new board members
3. Promote merge between similar Pension Funds regarding population and income distribution

RISK MGMT AS VALUE CREATION PROCESS



Risk Management could be viewed as a **value-creating activity**, and not just as a mitigation activity!

INSTITUTIONAL INVESTORS



TRANSPARENCY RISK

The main element of a successful governance model is given by the degree of transparency and reproducibility of the results obtained (e.g. benchmark).



REPUTATIONAL RISK

The management of public savings requires safeguarding against potential reputational risks also with regard to suppliers / advisors.



Il rendimento del comparto PRUDENTE si colloca sul primo percentile peggiore della distribuzione dei rendimenti dei comparti Obbligazionario Misto dei FPN.

Peer Group Analysis



Board of Directors



Analyzing and understanding differences in liquid and not liquid funds. Different way of work: Daily valuation against periodical NAV with J-Curve effects.



Stress testing and scenario analysis
Backtesting



LET'S CONNECT



PASQUALE MERELLA, FRM

Chief Risk Officer – Green Arrow Capital SGR

Senior Fellow The Smart Institute think tank



<https://www.linkedin.com/in/pasqualemerella/>



[@pasqualemerella](https://twitter.com/pasqualemerella)

www.greenarrow-capital.com

p.merella@gacsgr.com



DISCLAIMER

- Green Arrow Capital S.p.A. (GAC) provides its clients access to a broad array of products and services.
- This material is confidential and can not to be reproduced or circulated without the prior written consent of GAC. The manner of circulation and distribution may be restricted by law or regulation in certain countries. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.
- This document is intended for information purposes only. Nothing herein constitutes an offer to sell, or solicitation of an offer to purchase, any securities, nor does it constitute an endorsement with respect to any investment area or vehicle. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. GAC, its affiliates, and its employees are not in the business of providing tax or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the 'promotion or marketing' of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on taxpayer's particular circumstances from an independent tax advisor.
- All information contained here is current only as of the earlier of the date hereof and the date on which it is delivered by GAC to the intended recipient, or such other date indicated with respect to specific information, and GAC assumes no obligation or responsibility for the accuracy of the information after such date. GAC has no obligations or responsibility to update or supplement any of the information contained herein.
- Some information contained herein has been obtained from third-party sources, including those specifically referenced, and such information has not been independently verified by GAC. No representation, warranty, or undertaking, expressed or implied, is given as to the accuracy or completeness of such information by GAC or any other person; no reliance may be placed for any purpose on such information, and no liability is accepted by any person for the accuracy and completeness of such information.
- Opinions expressed in this document may include those of GAC S.p.A., GAC Affiliates, or non-affiliated third parties. In addition, your relationship team may highlight topics that are specific to your objectives. These opinions may differ from the opinions by other businesses or affiliates of GAC; they are not intended to be a forecast of future events, a guarantee of future results or investment advice and are subject to change based on market and other conditions. In any event, past performance is no guarantee of future results, and future results may not meet our expectations due to variety of economic, market and other factors. Further, any projections of potential risk or return are illustrative and should not be taken as limitations as to the maximum possible loss or gain.