



# WPI



## DEPARTMENT OF MATHEMATICAL SCIENCES

Special Financial Talk

**Mark Lawrence**

Mark Lawrence Group

Mark Lawrence, University of Adelaide, has more than 25 years' experience in financial services risk management, and is a Senior Fellow of FINSIA, the Financial Services Institute of Australasia. For more information please see:

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### **The New Risk Management Paradigm: *The central role of culture in effective risk management***

**ABSTRACT:** There were many failures which contributed to the Global Financial Crisis, including failures of bank regulation and supervision. Among the most important of these was the comprehensive failure of sophisticated internal risk management and governance processes at many large financial institutions in the USA and Europe. Extensive analyses of these risk management failures were undertaken by both industry and supervisors, with the objective of avoiding similar catastrophic failures in the future. Among the key lessons learned was the conclusion that *corporate culture* is a primary driver of risk management effectiveness (or ineffectiveness). A decade after the onset of the crisis, these analyses and subsequent developments have resulted in the emergence of a new paradigm for risk management and governance in financial institutions, which places the firm's "risk culture" in a central role. *Risk culture* is a relatively new concept and is quite challenging for company boards and senior management to understand and assess. Nevertheless, strengthening the firm's risk culture is currently a top focus for most large financial institutions and their supervisors, globally.

This talk for a general audience will highlight some of the key risk management failures and lessons learned from the financial crisis, and provide an overview of some of the key features and challenges associated with the new risk management paradigm. The talk will also include a short discussion of risk culture, including typical culture weaknesses and key elements of a strong risk culture to underpin effective risk management and governance.

**Monday, October 9, 2017**

**5:00PM-6:30PM**

**Salisbury Labs 104**