

November 15, 2013

Comments from United Kingdom on the Update of the CIF ERM Framework: Development of a Portfolio Risk Dashboard

Dear Patricia

The UK would like to thank the CIF Administrative Unit, Trustee and MDB committee for their work to date in preparing the draft portfolio risk dashboard. We also look forward to the swift recruitment of the Senior Risk Management Officer.

With respect to the dashboard, we have the following comments and suggestions to guide preparation of the final version of the dashboard:

- The ultimate purpose of this tool from our perspective is to assure us that risks are being mitigated appropriately. To enable effective discussion by the Trust Fund Committee in future, it may help to summarise risk controls in the dashboard as well. This will help us identify whether particular controls are insufficient, particularly if risk metrics exceed their thresholds. At present the slides just include an explanation of what will happen when a threshold is breached.
- We want Trust Fund risk management to remain a dynamic process and avoid becoming locked into managing certain (financial) risks at the expense of others that are potentially more important to the overall success of the CIFs (particularly those risks related to achieving the outcomes / objectives of the CIFs). We would expect the final Dashboard to identify when specific Tier 1 risks will be closed and when other Tier 2 risks should be escalated.
- It would be useful to get a sense about the expected **future** RAG rating for the individual risks, as well as the historic RAG ratings. This could be combined with some overall commentary around how confident you are that the risk will be reduced towards this target. This will allow the Trust Fund Committee to consider whether specific risks will move above their threshold and remain there for long periods or whether this is just a temporary transgression. This would help the Committee to decide to what extent a red rating can be tolerated in the short term or whether immediate additional action is required.
- We would like to see some short Annexes at the end of the Dashboard that set out the Trust Fund Committee's risk appetite in relation to Strategic, Operational and Financial risks on one slide. We would also expect to see a summary of top Tier 2 risks and the direction of travel of these risks. We think this could be adequately captured on one slide as well.
- On market interest rate risk, are other Trust Funds the right benchmarks to be comparing CTF terms against? Should we also be comparing CTF terms against standard MDB lending rates. This allows us to determine the level of concessionality compared to standard MDB lending and whether this is too much or too little.

As ever, we are happy to discuss our comments further.

Kind regards

Sam Balch
United Kingdom