



## The Bank Executive's Guide to **ENTERPRISE RISK MANAGEMENT**

*A practical guide for implementing enterprise risk management at regional and community banks.*

There are a multitude of business reasons beyond regulatory concerns to adopt more-sophisticated methods of measuring and managing enterprise risk in the financial services industry. Banks of all sizes could benefit from better enterprise risk management (ERM). Yet all of the ERM models constructed to date employ stringent statistical measurements and require a team of mathematicians to compile and interpret them—none of which makes sense from the cost effectiveness viewpoint of smaller regional or community banks. This book provides less difficult, yet accurate, methods of ERM assessment that will be useful across a wide spectrum of bank sizes.

The authors emphasize that, whatever type of risk management program is in place at your bank, there are good reasons why it should follow these basic tenets:

- Risk management is a process that will both add and protect shareholder value.
- Risk must be managed on an enterprise-wide basis.
- The best measure of risk versus reward is risk-adjusted return on capital.
- ERM must be independent.
- Risk management is not an audit function or a compliance function.

Despite regulatory pressure, bank managers and directors should not implement risk management processes merely to satisfy regulators. Instead, they should do so because it makes good business sense. Banking analysts and shareholders should demand effective risk management programs that exceed the expectations of regulators. When implemented effectively, enterprise risk management will transcend traditional audit and control processes and shift resources from bank compliance and crisis management to strategic planning, capital management, and enhancing shareholder value. Robert Oberg and Tara Heusé Skinner, the co-editors, have pulled together a stellar group of experts to contribute their expertise to this book: Anat Bird, Ali Samad-Khan, Ladd Muzzy, Granger Souder, Maria Tabrizi, Karen Van de Castle, and Ruth Yang.

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