

EDUCATE — ENABLE — EMPOWER

FUNDS

MASTERCLASS **M**

# The Risk Functions within Fund Management Companies

January 2023



# Who we are

## IOB

IOB is a professional community of over 32,900 members who work in banking, investment funds and international financial services in both the Republic of Ireland and Northern Ireland. Professional development of our members through education is at the heart of what we do. IOB provides university level programmes to enable our members achieve and sustain their professional qualifications and Continuing Professional Development (CPD) – essential in meeting customer and regulatory expectations. More than 8,500 individuals studied with us last year and over 23,800 members are registered for CPD schemes administered by IOB.

## Excellence in education – a recognised college of UCD

As a recognised college of University College Dublin (UCD) and the standout financial services educator, we offer qualifications of the highest standard. We currently have more than 40 programmes ranging from Professional Certificates (level 7) on the National Framework of Qualifications (NFQ) to Masters Degrees (level 9). We design our programmes to be practical and relevant, and grounded in academic rigour.

## Accredited Funds Professional

In 2020, IOB launched the funds designation, Accredited Funds Professional, in collaboration with Irish Funds. This designation seeks to achieve IOB's purpose by supporting through education, high levels of competence in the funds and asset management industry in Ireland and across Europe.

The Accredited Funds Professional designation is available to industry professionals who have completed the Professional Certificate in International Investment Fund Services (or earlier versions of the programme) and to those students who have completed the Financial Services Elective as part of the final admitting exams to Chartered Accountants Ireland.

In addition, fund professionals with four or more years of relevant experience confirmed by their employer, who meet the programme competencies, may also apply for the designation. The designation will be retained by completing the annual continuing professional development (CPD) requirements.

Becoming an Accredited Funds Professional provides a demonstration of your expertise, client focus and professionalism including your commitment to lifelong learning and to continuously improving your skills and knowledge. It also provides a connection to your peers – a network of like-minded fund professionals. IOB is very grateful for the support that the industry has given to this designation.

# Introduction

Welcome to **The Risk Functions within Fund Management Companies** masterclass, which is offered through IOB a recognised college of UCD.

Fund Management Companies are required to have a permanent risk management function as a central component of a risk management system. The risk management function and policy must cover all risks, including operational and fund related risks.

A key objective behind the detailed rules on risk management is related to the obligation for Fund Management Companies to give primacy to the interests of investors at all times.

Those responsible for the implementation of the risk management function and establishing risk management policies must have a good understanding of the legal and regulatory requirements related to the topic, to include the why and the how in that context.

In a constantly evolving environment, **The Risk Functions within Fund Management Companies** masterclass will aim to determine and develop best practice standards by **Designated Persons for Operational Risk Management and Fund Risk Management**.

It is designed to provide participants with:

- An understanding of the role of the risk management function within a Fund ManCo;
- Familiarity with the relevant legal and regulatory requirements;
- A practical insight into the development of risk management frameworks, including risk appetite statements;
- An understanding of the role and responsibilities of the Designated Persons for Operational Risk and Fund Risk, including where these roles may overlap with each other and with other Designated Person roles;
- A guide to being better equipped to prepare DP reports and to present reports to the board and to fund boards.

## When

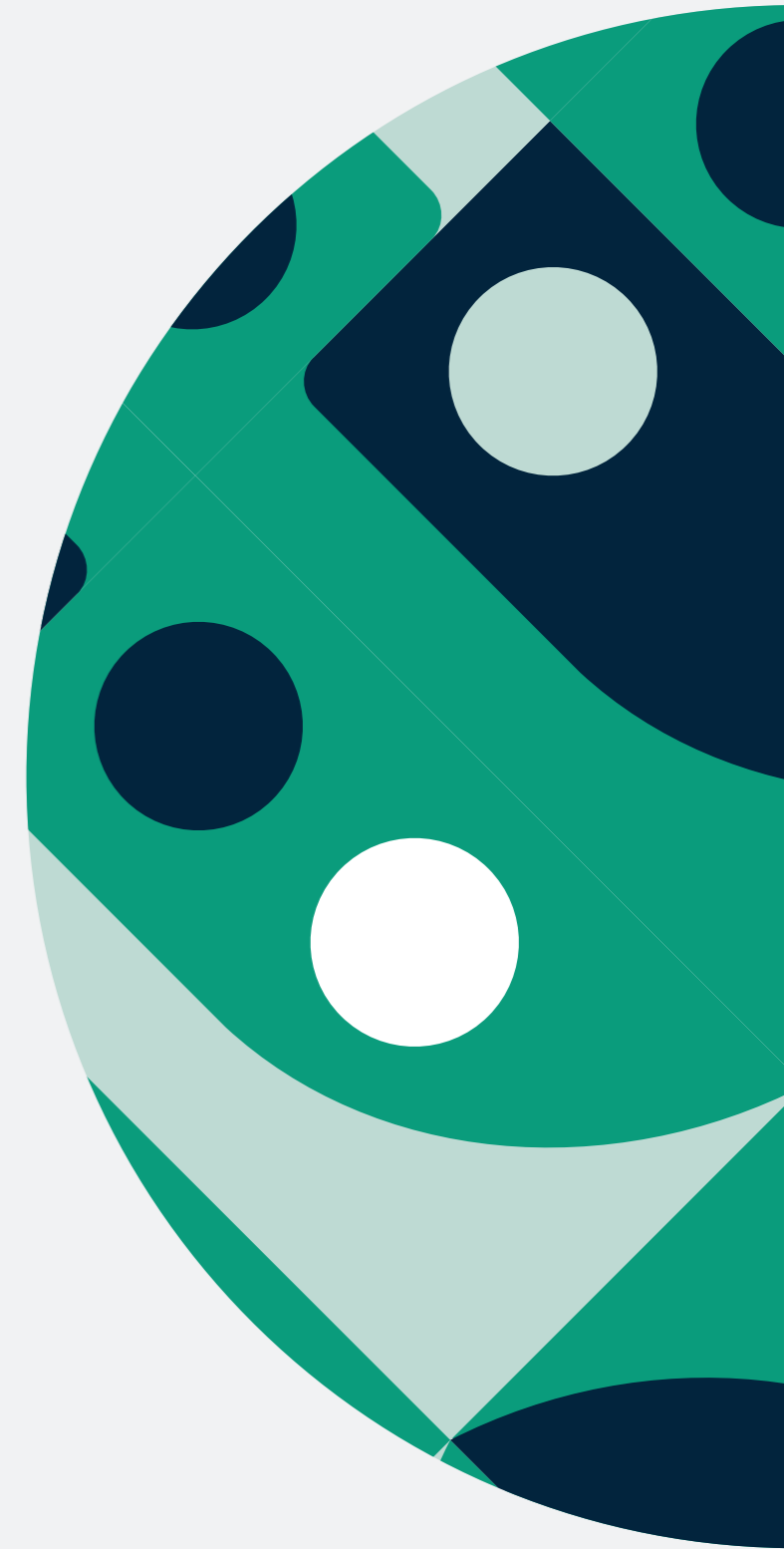
Sessions will be delivered from 4-7pm on the following dates:

- Tuesday 31st January
- Tuesday 7th February
- Tuesday 14th February
- Monday 20th February
- Tuesday 28th February
- Thursday 9th March

## Who should attend

The masterclass will be particularly relevant to Designated Persons for Operational Risk and Designated Persons for Fund Risk and those who support Designated Persons in those roles. It is also very relevant to Directors of Funds and Directors of ManCos (UCITS ManCos and AIFMs), senior management and staff within ManCos and all other industry professionals within Fund Service Providers.

We look forward to welcoming you to the masterclass.



# Presenters



## Arveen Rughubar

Based in Dublin, Arveen is the Chief Risk Officer and Designated Person for Operational Risk Management at Ashmore Investment Management (Ireland) Limited. He has over 20 years experience in the financial services sector with a large part of that having been spent in the asset management industry.

Prior to joining Ashmore, Arveen was Head of Risk (Ireland) at GAM Fund Management Limited and held the Designated Person role for both Operational Risk Management and Fund Risk Management as well. He has spent the time at both organisations leveraging his risk management experience in implementing the numerous regulatory requirements and guidelines in respect of UCITS and AIFs that fund management companies in Ireland are obliged to comply with. Before relocating to Ireland, Arveen worked in senior internal auditing and operational risk management roles at asset managers in South Africa where he gained extensive exposure to a wide spectrum of listed and unlisted asset types.

Arveen holds an MPhil (Internal Auditing) from the University of Pretoria and an MBA from the University of Cape Town. He is a Certified Internal Auditor, a Member of the Institute of Internal Auditors, and an Associate of the South Africa Institute of Chartered Accountants.



## David Delaney

David Delaney is the Designated Person for Operational Risk at Hermes Fund Managers Ireland Limited. He has worked across a wide range of financial services companies since 2008. He holds qualifications in Risk, Compliance and a degree in Economics from Trinity College Dublin. He currently splits his time between Dublin and Donegal.



## Enda Roche

Enda Roche is Chief Risk Officer for Fidelity International Ireland, the Irish based operations of Fidelity International, which provides investment management services, including private assets & wholesale, unit trusts & mutual funds, pension management and fund platform offerings to private and institutional investors. Fidelity International in Ireland includes a regulated UCITS/AIFM management company, various funds boards, and a regulated Life Insurance entity under Solvency II / EU Insurance & Reinsurance regulations.

Enda has experience in the investment management, credit institution, and insurance investment sectors on both an Irish domestic and cross border international basis. Enda has managed the start-up/build out of a cross border pan-European Life Assurance entity, European credit institutions, and a fund management investment administration group, all based out of and regulated primarily from Ireland. Enda has significant experience in dealing with the Irish, UK, European, and US regulatory bodies.

Prior to joining Fidelity, Enda worked for Prudential plc in both Group Head Office in London and for the Irish operations, Prudential International Assurance plc, the European & offshore Life Assurance regulated entity based in Ireland. Prior to Prudential, Enda was Chief Risk Officer for Dell Bank International part of Dell Financial Services, and prior to Dell, was Chief Risk Officer for the European operations of U.S. Bancorp, Elavon Financial Services, a payments and corporate trust business.

Enda is a qualified Chartered Accountant, holds a Bachelor Commerce Degree from University College Dublin, and a Diploma in Economics from Independent Colleges.

# Presenters



## Michael Blighe

Michael joined LGIM in July 2018 as Chief Risk Officer. In this role he leads the Compliance and Risk team which supports all aspects of both Compliance and Risk for LGIM Managers (Europe) Ltd. Prior to joining LGIM, Michael was Chief Risk Officer of Abbey Capital, where he was a member of the Executive management team, Compliance Committee, Credit Committee, Risk Committee and Operational Due Diligence team, ensuring he has a deep understanding and knowledge of the Compliance and Risk requirements of a management company, as well as an appreciation of the challenges faced by the wider industry in these areas.

Michael began his career as a software developer. Michael graduated from Trinity College Dublin with First Class Honours degree in Information Systems and has a PhD in Electronic Engineering from Dublin City Universities Centre for Digital Video Processing. Michael is also a member of the Professional Risk Managers International Association.



## Thomas Nummer

Thomas Nummer, a former investment manager, acts as an independent director for a number of Luxembourg and Cayman funds and Management Companies and has over 20 years of experience in the financial industry. Thomas is a seasoned risk manager with specialist knowledge of investment compliance and risk management within UCITS and alternatives funds governed by the AIFMD framework. Before starting his own business, Thomas was Managing Director of Carne Global Financial Services in Luxembourg where he launched their Management Company business.

Until 2011 he was Director and Chief Risk Officer for Allianz Global Investors Luxembourg S.A., where he worked for eight years incl. his role as European Head of Outsourcing Risk for all Management Companies at Allianz Global Investors Europe. Prior to this, he was employed by ADIG Investment in Luxembourg, working as a portfolio manager. He began his financial career as an options trader (EUREX market maker) for AGON in Cologne.

Thomas has a degree (Dipl. Kaufmann) from the University of Trier, Germany, and a post-graduate qualification (Financial Analyst – CEFA) from the Society of Investment Professionals in Germany (DVFA).

He plays an active role with ALRiM (the Luxembourg association of risk management professionals) and is well known in the industry as a risk and product expert. Furthermore he is Co-Chairman of ALFI's Risk Management Committee.

# Curriculum

## Part I | How the Risk Function is put together including the legal and regulatory requirements

Week 1 | Tuesday 31<sup>st</sup> January 2023 | Presenter; Michael Blighe

Week 2 | Tuesday 7<sup>th</sup> February 2023 | Presenter; Enda Roche

Time	Topic	Time	Topic
4-7pm	<p><b>Welcome</b></p> <p><b>Requirements and regulatory expectations</b></p> <ul style="list-style-type: none"> <li>• Overview of the EU regulatory regime</li> <li>• Overview of CBI requirements</li> <li>• Where DPs for Operational Risk and Fund Risk fit in the CBI regulatory framework</li> <li>• Authorisation requirements – business plan /programme of activities</li> <li>• PRISM reviews</li> </ul> <p><b>Organising a risk management function</b></p> <ul style="list-style-type: none"> <li>• What is risk in context of funds</li> <li>• What typical 1LOD/2LOD/3LOD look like</li> <li>• Identifying risk and risk appetite</li> <li>• Preparing RCSA</li> <li>• Measuring and monitoring risk – risk mitigants</li> <li>• Reporting</li> <li>• Escalation policies</li> <li>• Who does what – risk management delegates and the role of DPs; overlap with other DPs</li> <li>• ESG integration</li> <li>• Third party and proprietary ManCo challenges</li> </ul>	4-7pm	<p><b>Welcome and overview of Part 1</b></p> <p><b>Management Company Risk Function</b></p> <ul style="list-style-type: none"> <li>• Risk Management Process Document (RMPD/RMP)</li> <li>• Management Company linkage with Group entities</li> <li>• Local &amp; Group frameworks and policies requirements</li> <li>• Risk Framework components</li> <li>• Risk Appetite examples</li> <li>• Capital Assessments (ICAA)</li> <li>• Risk Registers</li> <li>• Risk Appetite</li> <li>• PRISM risk ratings, CBI RMP reviews &amp; expectations, information requests and records retrievability time frames</li> </ul> <p>Students will be provided with case studies/examples as part of the class materials</p>

# Curriculum

Part II   Operational Risk Management			
Week 3   Tuesday 14 <sup>th</sup> February 2023   Presenter; Arveen Rughubar		Week 4   Monday 20 <sup>th</sup> February 2023   Presenter; David Delaney	
Time	Topic	Time	Topic
4-7pm	<p><b>Welcome back - Recap Week 1 and 2</b></p> <p><b>Operational Risk: Overview and Governance</b></p> <ul style="list-style-type: none"> <li>• <b>What is Operational Risk</b> <ul style="list-style-type: none"> <li>- Scope of the risk types falling within Operational Risk</li> <li>- Legal and regulatory requirements</li> </ul> </li> <li>• <b>Roles and Responsibilities with focus on the DP</b></li> <li>• <b>Risk Governance – the Op Risk Management Framework</b> (what is a framework and the elements that might be encompassed) with reference to the Business Plan or Program of Operations           <ul style="list-style-type: none"> <li>- Risk Appetite Statement</li> <li>- Risk &amp; Control Self Assessment (RCSA)</li> <li>- Key Risk Indicators</li> </ul> </li> </ul> <p>Students will be provided with case studies/examples as part of the class materials</p>	4-7pm	<p><b>Welcome back - Recap Week 3</b></p> <p><b>Focus on Topical Risks</b></p> <ul style="list-style-type: none"> <li>• <b>Outsourcing and Delegation</b> <ul style="list-style-type: none"> <li>- Developing an Outsourcing Framework under CP 138</li> <li>- Monitoring and Reporting</li> </ul> </li> <li>• <b>Resiliency</b> <ul style="list-style-type: none"> <li>- Developing a Resiliency Framework under CP 140</li> <li>- Monitoring and Reporting</li> <li>- Critical Business Services</li> <li>- Monitoring and Reporting</li> <li>- Cyber security and data protection</li> </ul> </li> </ul> <p><b>Integrating Environmental, Social and Governance (ESG) factors into an Operational Risk Framework</b></p> <ul style="list-style-type: none"> <li>• <b>Developing an Emerging Risk monitoring process</b></li> </ul> <p>Students will be provided with case studies/examples as part of the class materials</p>

Part III   Fund Risk Management			
Week 5   Tuesday 28 <sup>th</sup> February 2023   Presenter; Thomas Nummer		Week 6   Thursday 9 <sup>th</sup> March 2023   Presenter; Thomas Nummer	
Time	Topic	Time	Topic
4-7pm	<b>Welcome back - Recap Week 1 - 4</b>	4-7pm	<b>Welcome back - Recap Week 5</b>
	<p><b>General Part</b></p> <ul style="list-style-type: none"> <li>• The functions and responsibilities associated with the designated person for fund risk role</li> <li>• Risk management process at individual fund level               <ul style="list-style-type: none"> <li>– Risk management in the context of funds with liquid investment strategies v funds with non-liquid assets such as real estate or private equity</li> <li>– The identification of relevant risks categories such as market, portfolio, liquidity, credit, counterparty, concentration, leverage etc)</li> </ul> </li> <li>• Good practices in meetings with portfolio managers including skills with which to challenge these delegates</li> </ul> <p><b>Specific Part</b></p> <ul style="list-style-type: none"> <li>• Risk Management for UCITS and other liquid strategies</li> <li>• Leverage and the different approaches to calculation</li> <li>• Use of models and model validation, including back-testing and addressing issues such as VaR overshoots</li> <li>• Stress testing (market risk, liquidity risk etc) including the appropriateness of the stress tests in light of the prevailing Environment</li> </ul> <p>Students will be provided with case studies/examples as part of the class materials</p>		<p><b>General Part</b></p> <ul style="list-style-type: none"> <li>• ESG/Sustainability risk and integration into fund risk</li> <li>• Risk function role in relation to asset valuation</li> <li>• Ex post risk management including the Fund Risk DP role and input into Active Share Analysis, Peer Analysis and Investment Performance</li> <li>• To include the relationship with the compliance function and investment oversight function</li> </ul> <p><b>Specific Part</b></p> <ul style="list-style-type: none"> <li>• Risk Management for non-liquid assets (such as RE and PE AIFs)</li> <li>• Identification of Risk Categories</li> <li>• Pre-deal involvement</li> <li>• Stress testing (market risk; liquidity risk etc)</li> </ul> <p>Students will be provided with case studies/examples as part of the class materials</p>



# Further Information

## Commencement and Delivery

This online masterclass will be delivered from 4-7pm over six evenings as follows:

### Part I

- Class 1: Tuesday 31<sup>st</sup> January 2023
- Class 2: Tuesday 7<sup>th</sup> February 2023

### Part II

- Class 3: Tuesday 14<sup>th</sup> February 2023
- Class 4: Monday 20<sup>th</sup> February 2023

### Part III

- Class 5: Tuesday 28<sup>th</sup> February 2023
- Class 6: Thursday 9<sup>th</sup> March 2023

The masterclass is a live online event delivered via Zoom.

## Fee

€520 for IOB members

## To express an interest

Please visit : [iob.ie/programme/risk-functions-within-fund-management-companies](https://iob.ie/programme/risk-functions-within-fund-management-companies)

## CPD

CPD hours will be awarded for completion of this masterclass. For further information please visit [iob.ie/programme/risk-functions-within-fund-management-companies](https://iob.ie/programme/risk-functions-within-fund-management-companies)

## Preparing for the masterclass

An important aspect of this masterclass is active engagement in the class discussions, facilitated by breakout sessions. Each participant will contribute their views based on their individual experience in their work within a fund management company, or in the funds industry generally, and these differing perspectives will enrich the learning experience of all students, helping to determine and develop best practice standards.

Experience will also be enhanced through the following recommended pre-reads:

- **Fund Management Companies Guidance Central Bank of Ireland**
- **Central Bank of Ireland Cross Industry Guidance on Outsourcing**
- **Central Bank of Ireland Cross industry Guidance on Operational Resilience**

In order to ensure that the online delivery simulates the classroom environment as much as possible, IOB asks participants to leave cameras on during the delivery as much as is possible. This will assist in stimulating active engagement and is also very helpful for presenters.

## Assessment

Assessment is voluntary and is based on an online Multiple Choice Questions (MCQ) examination. The MCQ test comprises 4 questions in relation to each Part. The pass rate is 75% (9 of 12 questions.) If this level of correct questions is not achieved, a participant can resit the MCQ test.

## Certificate of completion

When you successfully complete the assessment, you will be awarded with **The Risk Functions within Fund Management Companies** certificate by IOB.



# IOB Learn

IOB members gain exclusive access to IOB Learn, our innovative personalised learning platform and mobile app. Powered by artificial intelligence, this dynamic platform is a first in Irish education. IOB Learn helps you keep pace with a sector in transformation.

## Access exclusive content

Access the latest industry insights and thought leadership on financial services. Follow content channels in topics such as risk, compliance, digital innovation and ESG to stay up to date with sector trends and best practices.

## Learn at your pace

Learn at a time and pace that suits you with the full library of archived IOB events and webinars. IOB Learn is your ticket to the conversations that matter.

## Start a new pathway

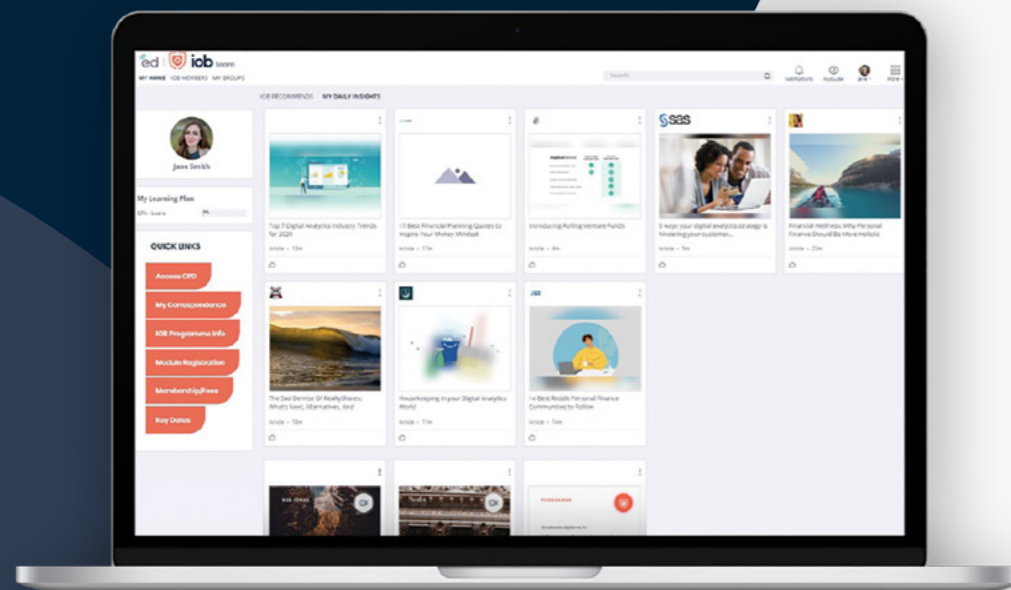
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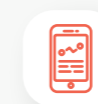
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Log CPD hours on-the-go



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