

Standards of Best Practice, Conduct & Ethics

September 2009

(prepared by the PRMIA Ethics Committee – see final page)

It is the duty of every PRMIA Member to know and abide by standards of conduct which reflect positively on our profession, instil confidence in our colleagues and employers and which are consistent with local rules, regulations and cultural standards.

1 Purpose of Professional Standards

Proper risk assessment can often produce results which are not popular with interested parties. Proper risk assessment can also require adaptation of established methodologies and new approaches, due to any number of the factors involved in risk assessment.

The fact that the risk professional may be a bearer of bad news, and must exercise personal judgment in producing and interpreting results, requires the highest standard of personal and professional conduct.

This document sets out minimum qualifications and standards of conduct for risk professionals. These standards will promote the highest levels of ethical conduct and disclosure with respect to methods of analysis. The Board of PRMIA believes that these standards will provide direction and support for both the individual practitioner and for the risk management profession as a whole.

Risk practitioners should understand that these concepts reflect the ever-changing body of professional standards and practices. The risk professional may create original approaches and solutions due to new analysis or some constraints. New approaches and solutions will be reviewed by this PRMIA Ethics Committee on a regular basis. When review has not been possible, due to the recent emergence of a situation, PRMIA Members must consider how other qualified risk professionals would view this new work and should take advice from PRMIA (ethicscomm@prmia.org).

It is the duty of every PRMIA Member to know and abide by these standards and by the applicable local rules and regulations. PRMIA Members must also make themselves aware of, and abide by, the applicable laws, rules and regulations of PRMIA and any government and/or regulatory bodies in respect of their activities as a risk professional. In the event of any difference in standards between local laws/rules and those of PRMIA, members must comply with the higher standard under all circumstances.

2 Best Practice in Risk Management

These best practices for risk managers and risk management are the minimum set of guidelines which each PRMIA Member is expected to adopt.

For the sake of these standards, a “qualified practitioner” is a person that has achieved a suitable risk management qualification, such as the PRM or a qualification comparable to the PRM, or who has, by years of experience in risk management, been deemed to have attained a suitable level of qualification.

2.1 Basic Knowledge

PRMIA Members must possess the required skills and/or certification (or be under the proper supervision of a qualified practitioner) to complete the risk assessment/management work at hand.

A Member should maintain and improve their professional competence and strive to maintain and improve the competence of other risk professionals.

2.2 Rules and Regulations

PRMIA Members must be well-versed in all rules and regulations applicable to the processing and presentation of risk assessments (or be under the proper supervision of a qualified practitioner). If a Member is not sufficiently well versed in the applicable rules and regulations, the Member must inform the appropriate supervisor.

2.3 *Generally Accepted Risk Practices*

PRMIA Members must be familiar with current generally-accepted risk practices. Members should document the methodology that he is using and note any relevant departure from generally-accepted risk practices.

2.4 *Advances in Risk Management*

PRMIA Members should recognise the value of disseminating improvements in risk management methods and/or theory to the widest professional audience and the value of validation by peers.

2.5 *Diligence*

PRMIA Members should execute all services with diligence.

2.6 *Independence and Transparency*

PRMIA Members should perform all work in a manner that is independent from, and transparent to, interested parties. Members should collect, analyse and disseminate risk information with the highest level of professional objectivity, and endeavour to work in a manner that would be deemed appropriate by an independent properly-qualified risk practitioner.

3 Professional Conduct

Professional conduct by a risk manager is consistent with a minimum set of guidelines described below, for which each PRMIA Member is expected to be accountable.

3.1 *Rules and Regulations*

PRMIA Members must know, and abide by, applicable rules and regulations. When there is an apparent, or actual, conflict between governing rules and regulations, the Member should inform the appropriate supervisor and seek qualified advice. PRMIA Members should understand the “intent” of the rules and regulations and should not use resident knowledge to create an opportunity for an operator to act outside of that intent.

3.2 *Clarity and Accuracy*

PRMIA Members should provide risk management services and advice that are clear and accurate. A Member’s work should always reflect the highest standards of the profession.

3.3 *Suitability*

PRMIA Members must understand the needs and sophistication of the employer or client and should provide appropriate and suitable risk management services and advice.

3.4 *Presentation of Results*

PRMIA Members must be exceptionally vigilant about not overstating the accuracy or certainty of the results or conclusions. A Member must attempt to indicate the “grey areas” in the results and conclusions.

3.5 *Disclosure of Limits*

PRMIA Members must clearly disclose the relevant limits of their specific knowledge and expertise concerning risk assessment, industry practices and applicable laws and regulations. A Member should clearly state the limits of applicability of the services offered.

3.6 High Level of Professionalism

PRMIA Members must endeavour, and encourage others, to operate at the highest level of professional skill. Member should always continue to perfect their expertise and should be prepared to demonstrate this skill by passing the relevant PRMIA examinations.

3.7 Supervision of Others

PRMIA Members must ensure that the work performed under the member's supervision also complies with the PRMIA Standards.

3.8 Departure from Accepted Practices

PRMIA Members should clearly indicate any departure from generally accepted methodology or practices.

3.9 Conflicts of Interest

PRMIA Members must clearly inform affected parties of any apparent or actual conflicts of interest.

3.10 Confidentiality

PRMIA Members must respect and protect the confidentiality of their work and of their employer or client. A Member must not use confidential information for personal gain.

3.11 Honesty and Integrity

PRMIA Member must not knowingly make any misrepresentations relating to risk management recommendations, actions, or other professional activities.

A Member must act with honesty and integrity and must not engage in, and should discourage other members from engaging in, activities that are illegal, dishonest or intended to deceive others. A Member should avoid any actions that will reflect badly on the risk management profession.

3.12 Fiduciary Responsibilities

PRMIA Members should recognise, as well as reconcile, the internal and external responsibility of risk management. Considerations should include not only internal controls but also the expectations of stakeholders, shareholders and the general public. As such, this awareness should challenge the risk professional to perform their work and duties in an independent and appropriate fiduciary manner.

A Member should not hesitate to strive to escalate a conflict or violation, if the member deems it appropriate. However the member must be cautious and thorough in any such determination.

4 Ethical Behaviour

Ethical conduct by a risk manager is consistent with a minimum set of guidelines described below, for which each PRMIA Member is expected to be accountable.

4.1 Personal Behaviour

PRMIA Member must act professionally, ethically and with integrity in all dealings with employers, existing or potential clients, the public, and other risk practitioners. Members should place the integrity of the risk management profession and users of risk management above their own personal interests.

4.2 Responsibility

PRMIA Members should take responsibility and credit for their own work, but not for that of others. Proper citations should be made where appropriate, when utilising methods directly attributable to others.

4.3 Judgment and Independence

PRMIA Members must exercise reasonable judgment in the provision of risk services, while maintaining independence of thought and direction.

4.4 Use of Risk Services

PRMIA Members must strive to ensure that the risk management services they offer are not used to mislead or misrepresent. A Member must take reasonable precautions that their services are not used for improper, dishonest, fraudulent or illegal purposes.

4.5 Respect Laws and Regulations

PRMIA Members must respect all applicable laws and regulations, and avoid any actions that are, or may have the appearance of being, illegal or unethical. A Member should avoid actions that reflect badly on PRMIA or on the risk management profession.

4.6 Respect for Local Customs

PRMIA Members should endeavour to be cognisant of all cultural differences regarding ethical behaviour and customs, and to avoid any actions that are, or may have the appearance of being unethical according to local customs.

4.7 Escalation and Whistle-Blowing

If PRMIA Members observe behaviour in others that is outside of the prescribed ethical standards of the organisation in which they work, they should report this conduct to their immediate superior. If this is not possible (e.g. if it is the superior who is engaged in the unacceptable behaviour) they should contact the Whistle-Blowing Hotline of the organisation. If there is no such hotline in place, they should contact the PRMIA Ethics Committee (ethicscomm@prmia.org) for assistance and guidance.

5 Guidance on Conflict Resolution

5.1 Assessment

PRMIA Members should carefully assess an apparent conflict with or violation of these standards. If in doubt a Member should seek advice from a qualified party, being mindful of legal and confidentiality requirements.

In the event of a conflict the following hierarchy shall be deemed to apply, where 1 is the top-most consideration:

1. The laws of the country
2. Guidelines from regulators in which the organisation operates (e.g. the FSA in the UK)
3. These PRMIA Standards
4. The decision of a superior within the organisation

5.2 Resolution

PRMIA Members should attempt to resolve any dispute, conflict, or violation in the most direct and efficient manner appropriate, being mindful of the legitimate rights of all parties concerned.

6 Conclusion

Professionalism, integrity, disclosure and transparency are fundamental characteristics of a Professional Risk Manager. Through professional conduct, consistent with industry best practices and combined with ethical behaviour, PRMIA Members will distinguish themselves. The standards above should ensure that a PRMIA Member's actions reflect positively on our profession, instil confidence in our colleagues and employers and advance risk management.

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This original Standard was prepared by the members of the PRMIA Ethics Committee in July 2002. This edition was published in September 2009, following a review by the current Ethics Committee, comprising:

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