

## XII JORNADA DE RIESGOS FINANCIEROS

25 de mayo de 2017

Good morning, and welcome to the twelfth Annual meeting of Risk-Lab in Spain.

Risk-Lab is an international network of research centers focused on Risk Management.

The first Risk-Lab was created in 1994 in Zurich, and in 1996 another was created in University of Toronto, sponsored by the legendary company Algorithmics.

In 1998, the Risk-Lab Madrid of the Universidad Autónoma was created.

**It's** main objective is to promote leadership projects in Risk Management, integrating academic research, and industrial innovation in risk management.

Over many years **numerous** financial institutions have benefited, from the support of Risk-Lab Madrid.

That's why I want to thank Santiago Carrillo, for the opportunity to host this meeting in Bankia.

Let me mention, very briefly, some ideas about the present moment that we are living in the financial industry.

The last decades of the twentieth century were, without any doubt, a period of dramatic change in financial engineering, financial innovation, and risk management practices.

Enterprise – wide risk management has been evolving, as well as, financial theory has advanced, new technology has made modeling of risk more feasible, and innovation based in practice, has helped us to find better ways to mitigate risk.

The risk management functions of financial entities (banks, insurance companies, asset management etc...) use models to assess, measure, and manage different kind of risks (credit, market, interest rate, liquidity, etc...)

As a result, managers can better anticipate changes in revenues and expenses due to these factors, and develop responses to the specific circumstances and needs.

For example one tool for managing risk with a global perspective is to define the Risk appetite framework, and a complete asset allocation.

To be more precise the Supervision, through the Single Supervisory **Mechanism** adopt this kind of methodologies as a key element, between others, in order to evaluate the capacity of managing risk in financial Institutions.

This approach provides us a holistic vision of risk, and also allows an effective process of decisions to reach the **desired** risk profile.

Obviously this framework, needs to be periodically contrasted with the economic cycle, based in the scenario analysis and stress testing of different portfolios, and parameters of expected losses and economic capital, plus, default rates, asset and liability measures, liquidity etc...

The global financial crisis and the great recession, which were arriving on the horizon at about this time 10 years ago, show us different **levels** of impact in financial institutions.

The entities that have suffered less impact of this crisis, that was the most painful since the Great Depression, are exactly those that follow this kind of methodology, support their decisions using models, and have a good Corporate Governance in Risk Management.

The health of these financial institutions today, reflect the improvement in the risk management process that has been on

going at banks for many years. Increasingly, the entire risk management that has become more quantitative, reflecting not only the enhanced ability, and lower cost of collecting and processing data, but also improved techniques for measuring and managing risk.

Today in this meeting, we have the opportunity to learn more about these questions from the different speakers and their presentations.

Although he doesn't need any **introduction**, it is my pleasure, indeed, a privilege to introduce Professor Edward Altman.

In fact, there are here several generations of risk professionals myself among them who have learned and profited greatly from his contributions.

Thank you Professor for coming here and sharing with us your knowledge, for all of us, **this is not only a pleasure, it is really great honor.**