# Part 14 Risk Policing & Enforcement July, 2011 Max Errázuriz merrazuriz@eys.tie.cl

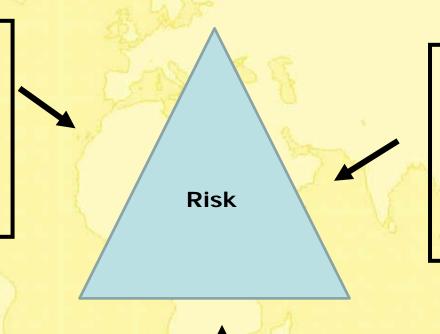




## **Limitations in taking risks**

# Owners and Management

- Shareholders
- Board of Directors
- Management
- Internal Audit



# Regulation and Supervision

- Legal Framework
- Regulations
- Supervision
- External Auditors

#### **Market Discipline**

- Depositors
- Customers
- Analysts
- Ratings Agencies
- Media

# Rating areas

## Rating areas

# Weight or importance

Government	24%	
Information	10%	Qualitative areas
Risks: identification and control	10%	
Activities	20%	
Financing and liquidity	14%	Quantitative areas
Efficiency and profitability	22%	

# Rating areas

#### Government (24%)

- Decision making.
- Planning.
- HR management

#### **Information and Systems** (10%)

Design, information functional system and data quality.

#### **Risks** (10%)

- Procedures and internal controls.
- Internal audit.

## Rating areas

#### Activities (20%)

- Finance services management (credits, capturing, money transfer, insurances, etc).
- Credit risk.
- Credit risk cover.

#### **Financing and Liquidity** (14%)

- Market risk management.
- Liquidity risk.
- Financing and strategy of capital adaptation.

#### Efficiency and profitability (22%)

- Profitability (ROA).
- Income's quality.
- Efficiency and operative.
- Use of assets optimization.

# Key elements for MFI evaluation

- Qualitative.
- Main stockholders and corporate government quality.
- Management quality, board team stability.
- Strategic planning business strategy.
- Staff management quality.
- Technology and systems.
- Financial information quality.

# Key elements for MFI evaluation

- Qualitative (cont.)
- Global risk management.
- Control and audit environment.
- Quality service and standards.
- Brand corporative image.
- Country risk: economic stability, integrity and corruption.
- Regulatory framework and legal system and licenses.

# Key elements for MFI evaluation

- Quantitative.
- Financial strength capitalization.
- Quality and diversification of credit portfolio.
- Size and market participation.
- Profitability.
- Stability and results of evolution.
- Liquidity management.
- Diversification of fund sources.

# Own financial reasons limits from relevant competition

- Margins
- Profits.
- Profitability.
- Risk / credit of the quality of portfolio.
- Growth.
- Market participation.
- Cost efficiency/ operatives.

# Own financial reasons limit from relevant competition

- Indebtedness (debt/capital).
- Capitalization.
- Funding sources.
- Liquidity.
- Risk classification.