

**TEMPLATE
ENTERPRISE RISK MANAGEMENT GLOSSARY**

Actual testing date	The date the testing occurred
Compliance/Legal Risk	The risk that is associated with violations or nonconformance with laws, regulations or prescribed practices which govern bank's activities.
Composite Risk Rating	Composite Risk = Risk Value + Impact + Likelihood + Current Vulnerability
Controls	The policies and procedures that are a part of the internal control and are implemented to manage risk.
Credit Risk	The risk due to uncertainty in an obligor's ability to perform on a credit obligation.
Description of Risk	A detailed description of the risk as it related to the Process.
Enterprise Risk Management	The process of identifying, assessing and developing management strategies to deal with risks at the enterprise level of the organization. It is measured in terms of probability and impact.
Event	The occurrence of unplanned/uncertain circumstances which lead to a detrimental impact (positive for opportunities) on planned project progress or outcomes.
Impact of Risk	The result or effect of an event. The greater the significance of the impact, the more severe the risk: <ul style="list-style-type: none"> • High (5) – Significant impact to the Bank's objectives • Medium (3) – Measurable, important impact to the Bank's objectives • Low (1) – Negligible impact to the Bank's objectives
Inherent Risk	A raw risk that is a risk that has no mitigation factors or treatments applied to it.
Interest Rate/Market Risk	The risk that the value of an asset or liability will change resulting from a change in interest rates.
Likelihood	The possibility that a given event will occur. The higher the possibility of occurrence, the greater the impact: <ul style="list-style-type: none"> • High (5) – Likelihood of occurrence is high • Medium (3) – Likelihood of occurrence is medium • Low (1) – Likelihood of occurrence is low
Liquidity Risk	The risk that an investment, when converted to cash, will experience loss in its value.
Method of testing	Describe the method(s) that will be used to test the controls are implemented and are adequate.
Monitoring and Accountability	The processes used to manage the Enterprise Risk Management Framework on an on-going basis to reduce risk and take advantage of risk as an opportunity.

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Monitoring Process	The process for monitoring. These should include the monitoring activities, the frequency of the activities and the responsibility, if other than the Risk Owner.
Plan Required	Is an Action Plan required to improve the overall Level of Residual Risk? (Y or N)
Planned testing date	The date that the testing is planned to occur.
Probability	A qualitative description of the likelihood and/or frequency of a risk occurring.
Process	The process or service the Bank has implemented which is being assessed for risk.
Reputation Risk	The risk that negative publicity regarding the bank's business practices will cause a decline in customer base, costly litigation or revenue reductions.
Residual Risk	The remaining risk after management has implemented controls to alter the risk's likelihood or impact.
Risk	<p>Risk is anything that may happen that impacts the achievement of an organization's objectives. Risk encompasses the following three dimensions:</p> <ul style="list-style-type: none"> • Hazard – preventing an exposure from turning into a loss; • Uncertainty – coping with volatility and change; and • Opportunity – harnessing opportunities to one's advantage. <p>Risk is an event having a cause and a consequence that could be either positive or negative.</p>
Risk Acceptance	A decision to accept or live with a risk, rather than trying to mitigate it.
Risk Analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
Risk Appetite	Risk appetite is the amount of risk, on a broad level, an entity of willing to accept in pursuit of objectives. It reflects that organization's risk management philosophy and, in turn, influences the organization's culture and operating style.
Risk Assessment	The overall process of identification, measuring impact, likelihood and risk evaluation.
Risk Avoidance	An informed decision not to become involved in a risk situation.
Risk Category	<p>The category of risk:</p> <ul style="list-style-type: none"> • Credit Risk (CR) • Interest Rate/Market Risk (I) • Liquidity Risk (L) • Compliance/Legal Risk (C) • Transactions or Operational Risk (T)

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	<ul style="list-style-type: none"> • Reputational Risk (R) • Strategic Risk (S)
Risk Factors	Sources of risk that are categorized wither as Impact or Likelihood risk factors, for the purpose of facilitating risk assessment or mitigation.
Risk Identification	The process to list and describe the source of the risk and its consequences.
Risk Management Framework	A formalized process for managing risk on an explicit basis. The framework consists of a risk assessment, response and accountability for the risk and mitigation activities around it.
Risk Matrix	A tool that sets out criteria for the assessment of impact and likelihood of risks. The Risk Matrix ensures all parties involved in assessing the level of risk are using common criteria.
Risk Mitigation	The processes built into the controls environment, such as policies, frameworks, accountabilities etc to lower the residual risk.
Risk Owner	The Name and Department that is responsible for the Identified Risk.
Risk Reduction	A selective application of appropriate techniques and management principles to reduce either the likelihood of an occurrence or its consequences, or both.
Risk Response	The decision to accept a risk, decline a risk, treat or mitigate a risk or share a risk with another party.
Risk Sharing	Sharing the responsibility for the impact of a risk with another party such as through an outsourcing contract or insurance policy.
Strategic Risk	The risk from adverse business decisions or the improper implementation of these decisions and/or risk that the company is involved in activities that are not a part of its core competencies.
Test results	The results of the testing: <ul style="list-style-type: none"> • P – Pass • F - Fail
Transaction or Operational Risk	The risk that inadequate information systems, operational problems, breaches in internal controls, fraud, theft, robbery, errors or unforeseen catastrophes will result in unexpected loss.