

Risk Appetite

The Investor Compensation Company DAC (the “ICCL”) aims to operate a financially sound scheme so that it is in a position to pay, in a prompt manner, statutory levels of compensation to eligible clients of failed investment firms. In the pursuit of this mission statement, the ICCL maintains four overarching objectives:-

1. To ensure that the Scheme is adequately funded, by maintaining robust funding structures and managing invested reserves prudently, so that we have the resources to pay claims when they arise.
2. To manage the ICCL efficiently and effectively, implementing quality corporate governance and risk management procedures.
3. To process claims for compensation by clients of investment firms as expeditiously as possible and to ensure that certified compensation is paid without undue delay.
4. To communicate effectively, manage relationships and be an advocate for improved outcomes with all key stakeholders.

A comprehensive register of all active risks confronting the ICCL is maintained by the company. In order to minimise these risks, and in conjunction with the Board’s policy of low risk tolerance, an Audit & Risk Committee review the Risk Register on a quarterly basis while also identifying any new risks which emerge due to changing internal activities or external factors. Furthermore, on foot of recommendations from the Audit and Risk Committee, the Board approves any changes to the Risk Register relating to critical/high risks.

The principal risk exposures of the ICCL have been identified as follows:-

Strategic

Strategic risk is a function of business decisions, the execution of those decisions, and the resources deployed in support of strategies selected. Proper management of strategic risk is critical to ensure that the ICCL continues to effectively meet its objectives. The ICCL actively engages with key stakeholders to achieve its overarching objectives. The ICCL has a low appetite for activities that do not align with its’ objectives while also recognising that the actual or perceived inability to deliver on these objectives would have a significant impact on its reputation with stakeholders.

Financial

The ICCL is exposed to various financial risks through its investments and funding models including market, liquidity, and funding; the ICCL has a low appetite for such financial risks. Market Risk is an inherent part of the ICCL’s investment policy where investments are made with suitably rated counterparties. Liquidity risk may arise when a valid call is made on the Investor Compensation Scheme and the ICCL requires access to adequate resources to satisfy resulting claims within the statutory timeframe. Funding risk is split into two parts:- the first relates to the collection of levies from participant firms with the second occurring where the ICCL’s resources fails to cover the cost of a valid claim(s).

Operational

Operational risk relates to losses or reputational damage occurring due to inadequate or failed internal processes, systems, or the unavailability of suitably experienced people. The ICCL has a low appetite for such Operational Risks. The operational risks faced by the ICCL include risks relating to Information and Communications Technology incorporating cyber-related exposures, Human Resources, Data, Business Continuity, and Compliance. The ICCL recognises the potential for significant and material adverse consequences of operational risks occurring as incidents, which may partly arise from external sources and thus, are often beyond the control of the ICCL. As such, it implements effective processes and systems through strong Board-approved internal controls and quality assurance programs. It also places the highest value on its employees and expects them to act with a high degree of integrity, compliance and professionalism, and in line with an established Code of Conduct.

The Board of the ICCL recognise that every action and decision that the ICCL makes has inherent risk. The ICCL continues to be innovative in its management and approach to achieving its objectives, maintaining an overarching low risk appetite to avoid risk where possible. It has no appetite for non-compliance with applicable statutory or regulatory requirements. This is achieved by a system of scheduled risk reviews and tolerance assessments with measures employed, and continually reviewed, by the ICCL to monitor, control or further mitigate risk.