

2018 ANNUAL REPORT

PROFESSIONALIZING RISK MANAGEMENT



PROFESSIONAL RISK MANAGERS

Have the quantitative/technical knowledge and skills traditionally associated with market and credit risk management

Identify and act on organizational threats

Are positioned to identify situationally appropriate risk measures and models for estimating risk exposures

Communicate relevant findings and recommend strategic options to stakeholders

Understand risk management as an integrated system of processes designed to effectively identify, measure, manage and communicate risk

TABLE OF CONTENTS

1	Letter to Our Stakeholders
3	Certifying
6	Engaging
9	Researching
10	Analyzing
11	Community Building
12	2018 Financials
13	Board of Trustees
14	GARP Senior Leadership

“GARP is the hub of the
global risk industry.”

RICH APOSTOLIK
President and Chief Executive Officer

LETTER TO OUR STAKEHOLDERS

To Our Stakeholders,

June 30, 2019

We are pleased to present the GARP 2018 Annual Report.

In 2018, GARP saw another year of significant growth in our flagship FRM® program, demonstrating its continued global acceptance as the standard for risk management professionals around the world.

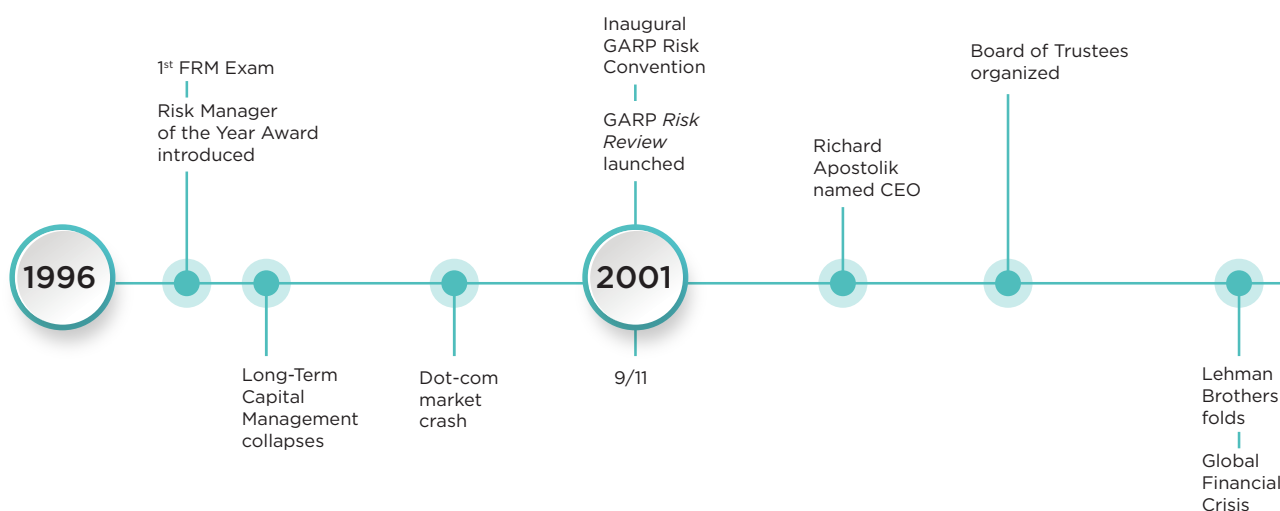
Registration for the FRM in 2018 approached 68,400, a 20% increase over 2017 — itself a record-breaking year. The global popularity of the FRM speaks to the rigor, relevance and utility of its curriculum and the considerable collaborative effort by the practitioners, academics and regulators who contribute time and expertise as members of the FRM Committee. They deserve much credit for the success of this program.

In 2018, ERP® Exam registrations kept pace with 2017, an accomplishment given the challenges and headwinds the energy market presents. We will increase our global ERP outreach in 2019, continuing to seek new ways to introduce the program and promote its value.

In January 2018, we launched the GARP Risk Institute under the leadership of Jo Paisley and Mark Carey, expanding our research-driven focus and opening an exciting new chapter for the Association.

The GARP Benchmarking Initiative, now in its seventh year, continued its highly valued analytic work in 2018, engaging in 17 cross-border studies for a total of 51 since its inception. The GBI participant roster increased to 119 members, including the addition in 2018 of 33 asset management firms. In 2019, GBI plans to expand its activities in analysis of bank capital to include asset management, climate risk and third- and fourth-party risks.

GARP took full advantage of its unique position as a global, independent, non-partisan association of practitioners, academics and regulators by sponsoring and conducting executive forums, workshops, networking events and chapter meetings. By facilitating these meetings and coordinating various global risk management initiatives, we help risk managers better understand risks, opening communication channels that might not otherwise exist without an organization like GARP.



In our convener role we created opportunities throughout the year where executives, regulators and academics shared information and constructively debated current issues and ideas. We hosted the ninth GARP Global Risk Forum in partnership with the Japanese Financial Services Agency in Tokyo in November, attended by 65 senior-level risk professionals. This invitation-only event provided an opportunity to review issues such as systemic risks 10 years after the great financial crisis; the risk-related effects of artificial intelligence and big data advances and use; model risk, and whether regulatory fragmentation is jeopardizing the effectiveness of post-crisis reforms. At the GARP Buy Side Risk Managers Forum, senior asset managers met in New York twice in 2018 to review and debate topical issues affecting the asset management industry.

At the other end of the career spectrum, our Academic Partnership program collaborated with 66 universities and business schools in 21 countries, encouraging adoption of FRM- and ERP-aligned curriculum and introducing risk management as a career option. We also launched a GARP Lunch and Learn program at banks and investment firms in the US and Europe to support risk managers in their early years.

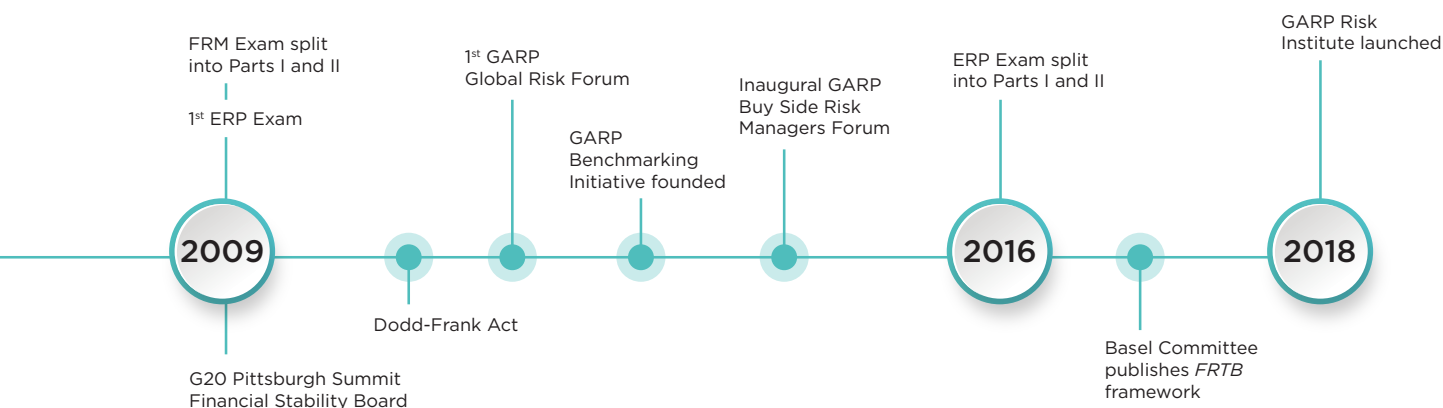
Of equal importance to all the above, our organization is on firm financial footing. This enables us to regularly consider and invest in new initiatives that further the profession of risk management.

We believe that throughout 2018 we significantly contributed to the building of a global profession and discipline of significant value. We're proud of what we accomplished in 2018.

We thank you for your continued support of GARP and, as always, welcome any thoughts or ideas about how we can best contribute to the growth and professionalization of risk management.

William Wesley Martin
Chairman of the Board of Trustees

Richard Apostolik
President and Chief Executive Officer



CERTIFYING

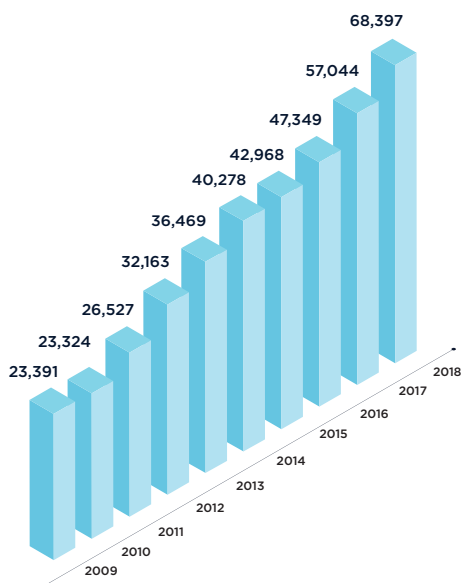
Certification creates a standard of practice that verifies a level of knowledge and professional ability. The GARP risk certification process relies on a comprehensive inventory and assessment of topical knowledge and skills determined by those who know this best: professional risk practitioners and academics. Against these criteria, exam content is created and updated.

Professional certification sets a high bar for performance, requiring a commitment to dedicated preparation by candidates. An independent benchmarking study by the UK National Recognition Information Centre has deemed GARP certification equivalent to a master's degree in 10 national and regional educational systems, including the United States, United Kingdom and European Union. Through certification, GARP upholds the standards for risk professionals as it has done since its founding.

In 2018, nearly 68,400 candidates registered for Part I or Part II of the Financial Risk Manager Exam, an increase of 20% over 2017. Despite the challenges of the 2018 energy market, Energy Risk Professional Exam registrations kept pace with those in 2017. Average pass rates for the 2018 May and November FRM Exams were 45% for Part I and 55% for Part II. For the ERP, pass rates for Part I averaged 52%, and 55% for Part II.

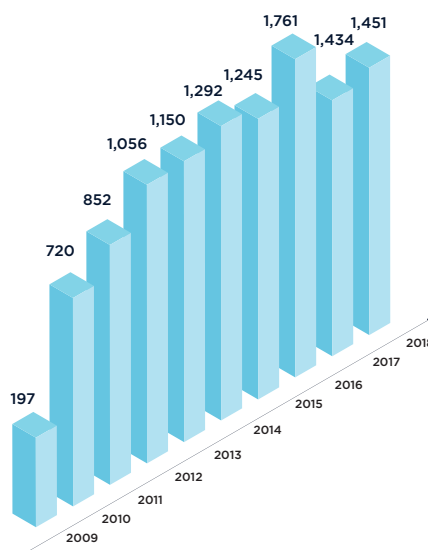
FRM REGISTRATION 2009–2018

Strong growth in FRM registrations reflects a parallel increase in the stature of risk management.



ERP REGISTRATION 2009–2018

After moving to two parts in 2016, ERP registrations stabilized in 2018.



“Certification is fundamental to the GARP mission. Our curricula incorporate findings from extensive surveys that are reviewed by oversight committees and practitioners. This process verifies the relevance of exam content.”

BILL MAY

Global Head of Certifications
and Educational Programs

GLOBAL PRACTICE ANALYSIS

GARP certification and training, research and event-development professionals rely on the GARP Global Practice Analysis, a comprehensive portrait of the risk management profession across work settings, geographies, job roles and experience levels. Participation in the 2017 survey — administered triennially — was more than double that in 2014, with 3,210 responses from qualified risk management professionals in 125 countries.

Analysis and reporting on the 2017 GPA were released in 2018, offering rich insights into the practice of risk management as it responds and adapts to rapidly evolving financial services and regulatory environments. What are the most important responsibilities of risk managers? The survey revealed these to be identifying potential risk, analysis of underlying risk drivers, communicating with stakeholders, monitoring risk exposure and evaluating materiality of risk impact on business.

Knowledge of these five foundational areas was rated *most important* by GPA respondents:

- Basic risk types (e.g., credit, market, operational)
- Interest rates, foreign exchange rates, inflation and deflation
- How risk management can add value
- Market participants (e.g., banks, insurance companies, funds)
- Case studies and lessons learned

“The GARP on-campus program promotes risk management as a professional career path. And our CPD program supports lifelong learning as an essential — and worthwhile — pursuit.”

LISA PONTI
Vice President, Institutional Outreach

ACADEMIC PARTNERSHIPS

GARP partners with universities and prestigious business schools and participates in academic conferences around the globe to promote risk management as a rewarding, stimulating and growing career field. It also collaborates with administrators to encourage adoption of an FRM-/ERP-aligned curriculum at partner institutions.

On-campus presentations feature GARP-certified FRM and ERP professional risk managers describing their risk management roles and addressing emerging trends. GARP representatives made 20 presentations at academic conferences and on campuses in North America, EMEA and Asia in 2018. Six academic partners were added for a total of 66 in 21 countries.

CONTINUING PROFESSIONAL DEVELOPMENT

The risk management profession continues to evolve quickly as industry standards and regulations change and new technologies and manifestations of risk emerge. The GARP Continuing Professional Development Program helps FRMs and ERPs maintain and strengthen their knowledge of new risk domains, learn new skills and remain up to date on standards and regulations. Structured self-study, live and online activities accommodate diverse schedules and learning preferences.



CPD MATERIALS
ACCESSED BY
4,700
FRMs/ERPs



18,600
CPD CREDIT
SUBMISSIONS



CPD ACTIVITY
UP 28%
OVER 2017

ENGAGING

2018 GLOBAL RISK FORUM

The 2018 Global Risk Forum, a high-level, invitation-only event was co-hosted in Tokyo by GARP and the Japanese Financial Services Agency in mid-November. More than 60 global regulators, senior financial market practitioners and academics discussed identifying, managing and monitoring institutional-level and system risk. Hiroshi Nakaso, Chairman of Daiwa Institute of Research, delivered the keynote address, *Reinforcing the Last Lines of Defense — The Evolution of the Lender of Last Resort Function*.

BUY SIDE RISK MANAGERS FORUM

Participation in the Buy Side Risk Managers Forum is extended to senior executives and chief risk officers at large asset management firms and investment management subsidiaries of banks and insurance companies.

The Forum met twice in New York City in 2018. In May, it was hosted by Dreyfus and featured presentations and discussions on risk management and stability, global privacy, the strategic importance of data science and third-party risk management. In November, senior buy side risk managers met at the offices of TIAA. Forum participants reviewed the results of the GARP Benchmarking Initiative liquidity study and discussed issues related to model risk management and cybersecurity.

“GARP creates collaborative opportunities for risk professionals to engage with peers, regulators and academics, who work together to define, discuss and debate trends, issues and practices at global and regional GARP events. This furthers our commitment to evolve the profession.”

RICH APOSTOLIK
President and Chief Executive Officer

INSTITUTIONAL OUTREACH

Corporate outreach in the Americas, EMEA and Asia supports awareness of GARP, its mission and the value of the FRM and ERP. The GARP Lunch and Learn program debuted in 2018, enabling FRMs and ERPs to network with peers outside their current practice domains, facilitating the exchange of knowledge about risk management topics. It also raises awareness of the value of GARP certification programs with prospective FRM/ERP candidates and their supervisors.

These financial institutions hosted GARP Lunch and Learn and in-house networking activities in 2018.

Bank of Montreal	ING
Barclays	Inter-American Development Bank
BB&T	International Finance Corporation
Canadian Imperial Bank of Commerce	Lloyds Bank
Credit Suisse	Morgan Stanley
European Central Bank	Royal Bank of Scotland
European Investment Bank	Scotiabank
HSBC	Société Générale

MULTIMEDIA PROGRAMMING

In addition to the GARP digital publication, *Risk Intelligence*, which reaches more than 360,000 readers daily, GARP maintains a robust library of resources including webcasts, podcasts, videos and whitepapers available to risk professionals.

Popular podcasts produced by GARP in 2018 include:

- Charles Cascarilla's discussion of *Paxos and the Quest to Institutionalize Blockchain*
- *The State of Financial Crime* featuring EY's Steve Beattie
- *Managing Systemic FinTech and Disruptive Innovation Risks* with Michael Imerman
- Jeh Johnson's address on *The Future of Risk*
- Fabio Natalucci speaking on *Growth at Risk: Global Financial Stability Report*

Webcasts attracting high levels of interest include:

- *A Visual Introduction to Data Science*
- *The Transition to CECL: Implementation and Strategic Considerations*
- *Artificial Intelligence: Running the Race and Managing the Risks*
- *How Banks Can Leverage Behavioral Analytics*



360,000

**RISK INTELLIGENCE
READERS DAILY**



21

NEW WEBCASTS



16,500

**WEBCAST
REGISTRANTS
IN 2018**

GARP 19th RISK CONVENTION

The GARP 19th Risk Convention, themed *The New Age of Risk: Opportunities and Threats*, was held March 6 and 7 at the New York Marriott Marquis. The agenda offered three tracks of briefings, plenaries, the popular *Ideas That Count* lightning talks, panels, interviews and presentations. The opening plenary keynote featured Jeh Johnson, former US Secretary of Homeland Security, sharing his *Reflections on Risks Facing the Homeland*. Mihir A. Desai, professor of Finance at Harvard Business School, took on the afternoon plenary, proposing that humanities can create more effective measures of risk management.

BP Chief Risk Officer, Gary Taylor, presented the second day's keynote address on new energy markets. That afternoon, attendees heard Richard Bookstaber, Chief Risk Officer for the Office of the Chief Investment Officer at the University of California, who spoke about the limitations of traditional risk models and chaired the closing plenary, a panel on RegTech perspectives.

WILLIAM C. DUDLEY GARP RISK MANAGER OF THE YEAR

Senior Research Scholar
Griswold Center for Economic Policy Studies
Princeton University

William C. Dudley, former President and Chief Executive Officer of the Federal Reserve Bank of New York, was named the 2018 GARP Risk Manager of the Year at the GARP 20th Risk Convention. The award, given annually in recognition of outstanding achievement and career contributions to the risk management profession, honored Dr. Dudley's 20 years of service in formulating US monetary policy. Dudley was commended for his exceptional leadership during the financial crisis and its aftermath, and tireless efforts toward bringing stability to the global economy and financial-services industry.



RESEARCHING

GARP BENCHMARKING INITIATIVE

The GARP Benchmarking Initiative addresses the implementation challenges of analyzing global systemic risk, offering efficient, secure collection and review of independent cross-border data. The GARP proprietary platform generates global benchmarking studies within days of data submission by banks and asset management firms.

GBI participation increased in 2018, adding 33 asset management firms, four associations and a bank to the roster. A total of 51 studies have been completed since GBI launched in 2012, with 17 of these in 2018. Among its outreach activities, GBI authored a response letter to the *European Banking Authority Consultation Paper* proposing modification to its annual market risk benchmarking exercise, supported by a GBI survey of banks on the proposed framework and portfolios. There are plans to expand topics to include innovation, cyber risk and climate risk in 2019.

2018 GBI STUDIES

- Support for studies associated with *Basel Quantitative Impact Studies*
- A second *Total Capital Impact* study examining the cumulative impact of revisions to the Basel capital framework
- Expansion into asset management with studies on liquidity benchmarking and counterparty credit risk for asset managers
- Two regional studies on US implementation of SA-CCR and several separate national views within some global studies

“GBI is a much-needed resource for understanding the impact of proposed regulatory framework revisions and for identifying systemic risk build-up. GBI resolves the logistical challenges of data collection and complex legal considerations associated with cross-border studies.”

CHRIS DONOHUE
Managing Director, GARP Benchmarking Initiative



73

BANKS

+



33

ASSET
MANAGERS

+



11

ASSOCIATIONS

+



2 “BIG
FOUR”

ACCOUNTING
FIRMS



119

PARTICIPANTS

ANALYZING

GARP RISK INSTITUTE

The GARP Risk Institute launched in 2018. Its mission is to examine current and emerging risk issues and provide critical thinking to continually improve risk management practices. Through articles, topical studies and events, GRI offers neutral, fact-based analysis based on collaboration with risk industry leaders, regulators and academics.

In 2018, GRI focused primarily on four issues: model risk management, artificial intelligence/machine learning, stress testing and operational resilience. A *Code of Practice for Supervisory Stress Tests*, authored by GRI co-President Jo Paisley, appeared in *Risk.net* magazine, one of several articles and comment letters published in 2018. GRI also hosted senior executive forums on non-financial risk with risk leaders in retail, financial services, energy and other industries, and attended 17 global and regional conferences, presenting at six.

GRI is led by former Federal Reserve Board regulator, Mark Carey and former Bank of England regulator, Jo Paisley.

GRI 2018 PRESENTATIONS

London	25 th Annual UK Asset and Liability Management Conference
London	Economists' Roundtable at National Institute of Economic and Social Research
London	Stress Testing for Banks, Infoline Conference
Boston	NBER Summer Institute Risks of Financial Institutions Meeting
London	The Model Risk Management Forum, Infoline Conference
Amsterdam	RiskMinds International

“In 2018, GRI collaborated with industry professionals to identify issues and craft best practices, and engaged experts from over 30 global institutions and regulatory bodies at peer forums. Our *Code of Practice* documented how a lack of coordination and a glut of stress tests have resulted in undesired consequences.”

MARK CAREY AND JO PAISLEY
co-Presidents, GARP Risk Institute

COMMUNITY BUILDING

MEMBERSHIP

GARP Members are afforded access to premium content on multiple platforms, networking opportunities, invitations to special events, discounts and special offers. The GARP Members-only Online Community is a forum for posting questions, debating issues and networking — virtually — around the clock and the globe.



CHAPTERS

GARP Chapters offer learning, networking and engagement for risk professionals who “think global but work local.” In 2018, there were 20 GARP Chapters in more than a dozen countries, chaired by volunteer directors and advised by local committees. More than 40 chapter meetings were held, with an average of 60 registrants. Popular topics in 2018 included the challenges to implementing CECL, rate benchmarks and cyber breaches.



ALUMNI

FRMs and ERPs are encouraged to participate in community-building activities such as in-house corporate events within their organizations, GARP Chapter meetings and professional networking opportunities. In 2018, GARP hosted FRM/ERP alumni networking events in Amsterdam, Berlin, Boston, Chicago, Frankfurt, Hong Kong, London, Luxembourg, New York, Paris, Toronto and Warsaw.



“Peer relationships are a cornerstone of established professions. GARP introduces peers to peers and has been at the forefront of breaking down barriers to collaboration and discussion of issues at every professional level.”

RICH APOSTOLIK
President and Chief Executive Officer

2018 FINANCIALS

The following highlights are from the GARP Consolidated Financial Statements as of December 31, 2018 and December 31, 2017. For a full set of financials, please contact memberservices@garp.com.

GLOBAL ASSOCIATION OF RISK PROFESSIONALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Total assets	\$ 47,208,045	\$ 40,897,010
<u>LIABILITIES AND NET ASSETS</u>		
Total liabilities	\$ 14,221,434	\$ 12,800,139
Net assets - without donor restrictions	\$ 32,986,611	\$ 28,096,871
Total liabilities and net assets	\$ 47,208,045	\$ 40,897,010

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

REVENUES AND OTHER SUPPORT

Total revenues and other support	\$ 39,542,239	\$ 36,786,491
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EXPENSES

Total expenses	\$ 34,652,499	\$ 29,336,886
Change in net assets	\$ 4,889,740	\$ 7,449,605
Net assets - without donor restrictions, beginning of year	\$ 28,096,871	\$ 20,647,266
Net assets - without donor restrictions, end of year	\$ 32,986,611	\$ 28,096,871

BOARD OF TRUSTEES



Chairman, Board of Trustees, William Martin
Former Chief Risk Officer, ADIA



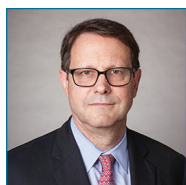
Chairman, Compensation Committee, Jacques Longerstaey
Chief Risk Officer, Nuveen



Chairman, Governance Committee, Dr. René Stulz
Everett D. Reese Chair of Banking and Monetary Economics, The Ohio State University



Chairman, Audit and Risk Committee, Victor Ng
Managing Director, Head of Risk Architecture, Goldman Sachs



Ken Abbott
Professor, Baruch College



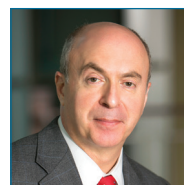
Richard Apostolik
President and Chief Executive Officer, GARP



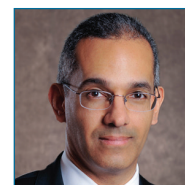
Michelle McCarthy Beck
Senior Managing Director, Chief Risk Officer, TIAA Financial Solutions



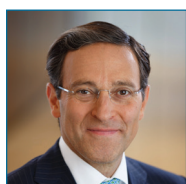
Laura Dottori-Attanasio
Senior Executive Vice-President and Chief Risk Officer, CIBC



Ben Golub
Chief Risk Officer, BlackRock, Inc.



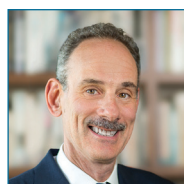
Andrew Gray
Managing Director, Group Chief Risk Officer, DTCC



Geoffrey Greener
Chief Risk Officer, Bank of America



Bradford Hu
Chief Risk Officer, Citigroup



Andrew Kuritzkes
Executive Vice President and Chief Risk Officer, State Street Corporation



Stuart Lewis
Chief Risk Officer, Deutsche Bank



Lewis O'Donald
Chief Risk Officer, Senior Managing Director, Nomura Holdings



Cecilia Reyes
Group Chief Risk Officer, Zurich Insurance



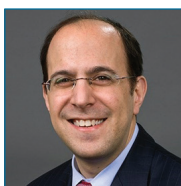
Frank Roncey
Group Chief Risk Officer, BNP Paribas



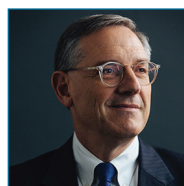
Jacob Rosengarten
Enterprise Chief Risk Officer, XL Group Ltd



Alan Smith
Global Head of Risk Strategy and Senior Executive Officer, Group Risk, HSBC



Jonathan Stein
Vice President, Chief Risk Officer, Hess Corporation



Peter Tufano
Peter Moores Dean and Professor of Finance, University of Oxford

GARP SENIOR LEADERSHIP



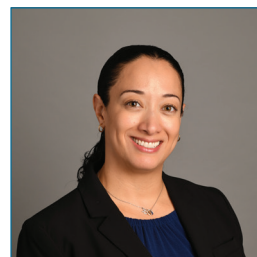
Richard Apostolik
President and
Chief Executive Officer



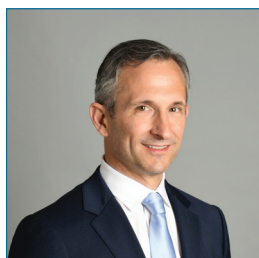
Laura Breslaw
Chief Marketing Officer



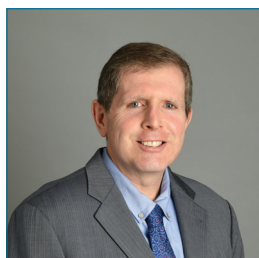
Mark Carey
co-President,
GARP Risk Institute



Priscella Cervantes
Chief Financial Officer,
Chief Administrative
Officer



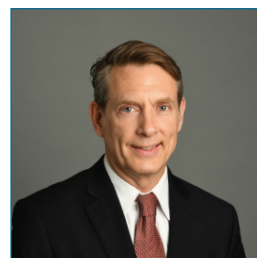
Christopher Donohue
Managing Director,
GARP Benchmarking
Initiative



William May
Global Head of
Certifications and
Education Programs




Jo Paisley
co-President,
GARP Risk Institute



Michael Sell
Global Head of
Business Development

THE GARP MISSION

is to be the leading professional association for risk managers, dedicated to advancement of the risk profession through education, research and the promotion of best practices globally.



GARP creates value for the risk management community through four critical and interlinked functions: education, research, benchmarking and engagement.

ABOUT GARP | The Global Association of Risk Professionals is a non-partisan, not-for-profit membership organization. GARP offers risk certification — the Financial Risk Manager and Energy Risk Professional — and educational programs for professionals at financial institutions, government agencies, central banks, academia and corporations. Through the GARP Benchmarking Initiative and GARP Risk Institute, GARP sponsors research in risk management and promotes collaboration among practitioners, academics and regulators to promote a culture of risk awareness.

Founded in 1996, governed by a Board of Trustees, GARP is headquartered in Jersey City, NJ, with offices in London, Washington, D.C. and Beijing.

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Creating
a culture
of risk
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