2025 FRM® GLOBAL PRACTICE ANALYSIS

GARP®

FRM® | Financial Risk Manager

Contents

Executive Summary

How do financial risk managers provide value for their organizations in today's financial risk environment? What do they need to know to effectively identify, analyze, and mitigate financial risk? What should financial risk managers focus on to advance and enhance their careers through professional development and education?

To answer these important questions, the Global Association of Risk Professionals (GARP) conducted its 2025 Global Practice Analysis (GPA) study. Through data compiled in 2024, GARP's study explores the knowledge and skills financial risk managers need to have in place to effectively identify, analyze, and mitigate financial risk — and to provide value to their organizations.

Financial risk managers must be a vital part of an integrated system of managing and communicating risk to bring real value to their organizations. Quantitative skills and abilities are a starting point for them, but practitioners need more than knowledge of models and methods. Findings from the study indicate that in today's complex and volatile global financial environment, information and data must be evaluated for quality and materiality so that the appropriate risk measures and models are employed.

The study results show that activities to identify emerging risks proactively and to plan for their management are more important than ever. Financial risk managers must also be able to communicate effectively with others through standardized reporting methods. Moreover, they need to connect the dots to understand risks fully, recognize when to elevate and escalate issues of concern, and look for risks that may be just over the horizon. They must also become well acquainted with areas such as artificial intelligence (AI) that are growing in importance.

Quantitative skills and abilities are a starting point for financial risk managers, but practitioners need more than knowledge of models and methods.

Introduction

The 2025 Global Practice Analysis provides a contemporary and comprehensive description of financial risk management practice. It reflects the work of financial risk managers operating across a range of employment settings, with different levels of experience, in various job roles, and located across geographic regions globally.

The GPA verifies the validity, relevance, and timeliness of the Financial Risk Manager (FRM®) Certification Exam by providing guidance in updating content coverage to reflect current practice. GARP has completed five GPA studies since 2011, resulting in a rich resource of information to identify and examine trends in the practice of financial risk management. These regular studies ensure that the FRM Program curriculum reflects the critical knowledge and financial risk tasks in a continually evolving industry. This new GPA study was conducted in 2024 during a period when new and evolving risks, including climate change, AI and machine learning, a wave of inflation, and geopolitical uncertainty, amplified the need for sound risk management practices.

The study was supported by the GPA Advisory Committee whose members represent key GARP perspectives. The committee provided guidance and oversight to a task force of subject-matter experts who updated the delineation of the financial risk management practice to ensure it reflects current risk management issues and processes. The revised delineation was then validated in a survey completed by 2,497 qualified risk management professionals from 107 countries, more than 95% of them FRM-Certified Professionals.

Who Risk Managers Are

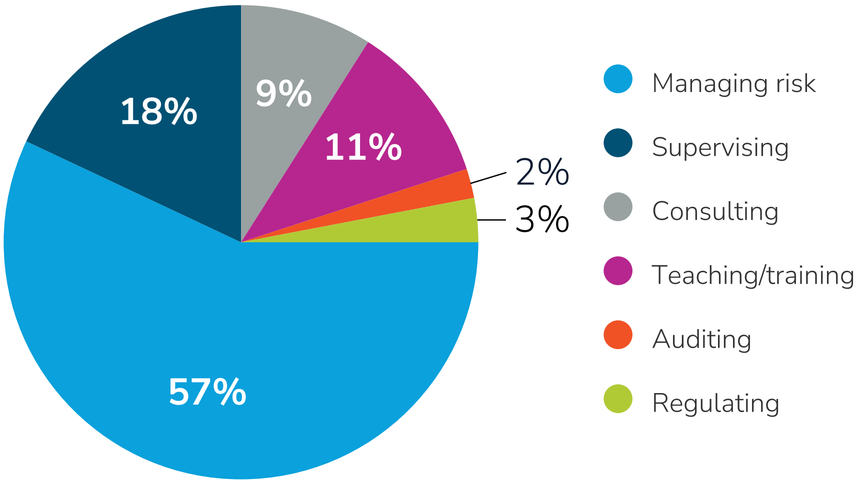
Survey respondents indicated that they are engaged in a variety of risk management roles, with 30% describing their title as risk manager, 15% as analyst, and 9% as consultant. Other titles include portfolio manager, product manager, treasurer, and trader. Seventy-six percent of participants hold a master's degree or higher, and the same percentage had more than five years in financial services experience overall, compared to 57% with five years or more of experience in financial risk management specifically. That suggests respondents moved into financial risk management from other areas of responsibility.

Banks employed 43% of respondents, followed by asset management firms at 12%, consulting companies at 9%, and broker-dealers at 5%. Insurance companies, non-financial corporates, third-party service providers, and auditing firms round out the top eight categories of employer. Sixty percent worked in companies with 1,000 or more employees, while 22% worked in companies with 50,000 employees or more.

On average, 55% of respondents spent at least half of their time performing risk management tasks, with 17% spending all their time in such tasks; 14% spent at least half of their time supervising others who perform financial risk management tasks; and 34% did no supervising.

Respondents came from firms with headquarters in 106 countries and territories around the world. Broken out by region, 39% are located in the Americas, 30% in Asia, 29% in Europe/Middle East/Africa, and 2% in Oceania.

Percentage of Respondents' Time Spent in Risk Management Activities

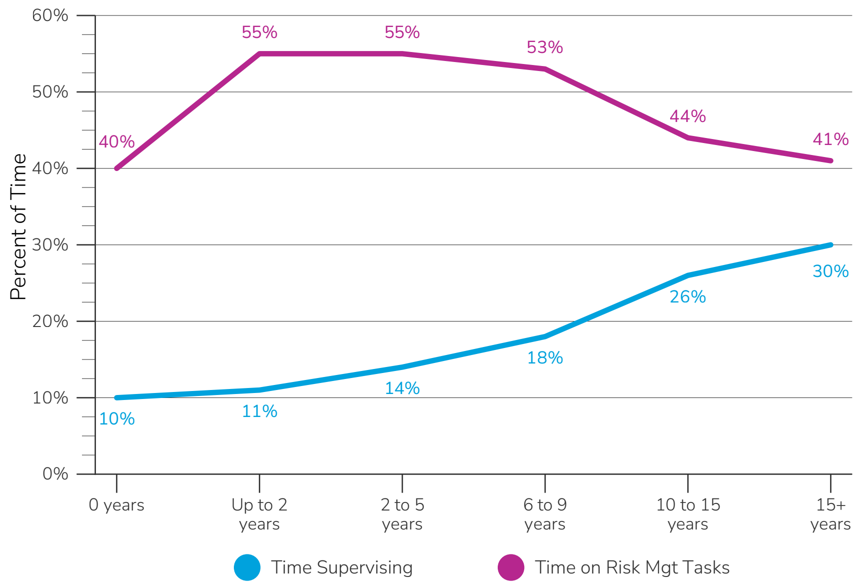


55%

of respondents spent at least half of their time performing risk management tasks.

As respondents gain more experience in the financial risk management field, the amount of time spent supervising other financial risk managers increases relative to the time spent performing risk management tasks.

Activity by Experience Level – Time Spent Supervising vs. Performing Risk Tasks



Survey respondents were asked to indicate the area or areas within financial risk management in which they specialized, and numerous respondents indicated a specialization in two or more risk areas. Across all survey respondents, 58% indicated specializing in market risk, 53% in credit risk, 36% in liquidity and treasury risk, 34% in operational risk, and 27% in enterprise risk.

Types of Risk Roles	2024
Market Risk	58%
Credit	53%
Liquidity and Treasury	36%
Operational	34%
Enterprise	27%

Across all survey respondents,

58%

indicated specializing in market risk.

Tasks Performed by Financial Risk Managers

The GPA identified overarching critical functions performed by financial risk professionals, including evaluating information and data for quality and materiality, and employing appropriate risk measures and models to mitigate risk. Activities related to the proactive identification of emerging risk, and planning for its management, have become more important than ever. Today's financial risk managers work in an integrated system to manage and communicate risk, and they recognize when to elevate awareness of increasing risks. Equally important are formal structures and the culture to communicate risk-related tasks effectively.

The GARP survey included 52 tasks organized in six process-based domains.

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Process-based Domains and Tasks

Domains	# Tasks
Financial Risk Framework	11
Financial Risk Identification	5
Financial Risk Measurement and Modeling	16
Financial Risk Monitoring	6
Financial Risk Management	11
Financial Risk Reporting	3

Respondents rated the importance of each of 52 specific tasks to their own jobs on a scale of 1 (not important) to 5 (extremely important). Twenty of the 52 tasks received average importance ratings of at least 4.0 (moderately important or higher), and the remaining tasks received ratings between 3.6 and 4.

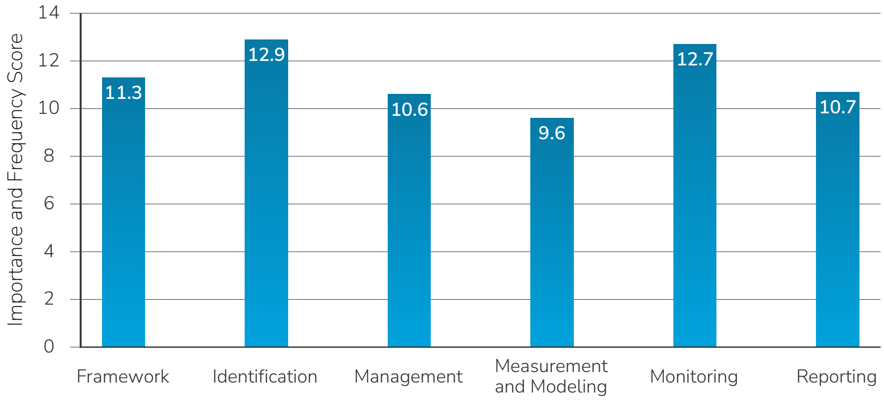
Domains of Financial Risk Management Practice

Respondents were asked to consider 52 performance domains (tasks) within financial risk management and to indicate the percentage of time spent performing each task as well as rate the importance of each task to their work. Combining these ratings results in weighted profiles of practice that express the relative significance of each domain to the work of financial risk managers. These are aggregated across experiential levels.

The 15 performance domains rated most highly in terms of significance were as follows:

- Identify and define financial risks.
- Assess, aggregate, and analyze underlying risk drivers and risk interconnections, including concentration ratio and diversification.
- Monitor risk metrics in comparison to predefined thresholds.
- Monitor risk exposure in comparison to limits and tolerances.
- List risk factors and identify associated impact on organization.
- Collect, assess, and process quantitative and qualitative data.
- Define and determine types of risk (e.g., credit, market, operational, liquidity) using a consistent risk taxonomy.
- Identify signs or sources of potential, emerging, or existing risks considering elements such as exposure, trends, monitoring systems, results of simulations/scenario analyses, regulatory and environmental change, and organizational culture and behavior.
- Escalate when limits or tolerance levels are exceeded according to risk management plan/policies/strategies.
- Communicate with relevant business stakeholders.
- Establish risk appetite, risk limits, and tolerance.
- Set early warning alert levels for risk exposure to proactively manage risk.
- Investigate limits breaches by performing root-cause analysis and adjust under changing conditions.
- Generate, validate, and communicate standardized risk reports for internal purposes (e.g., staff, executive management, board of directors).
- Set enterprise-wide risk management framework, including risk culture and corporate governance.

Practice-Based Financial Risk Domains and Tasks



The most significant risk domains for respondents, combining both importance and frequency, were Financial Risk Identification and Financial Risk Monitoring. Other financial risk domains, in order of significance, include Financial Risk Framework, Financial Risk Reporting, Financial Risk Management, and Financial Risk Measurement and Modeling.

The most significant risk domains for respondents were financial risk identification and monitoring.

Top Knowledge Used by All Financial Risk Managers

Knowledge used by financial risk managers is organized into two categories: foundational and non- foundational/specialized. Foundational knowledge comprises those topics required of a financial risk manager regardless of work role or area of specialization. They include knowledge of asset classes, statistical analysis, and modeling. Risk management is a value-adding activity and there is a need to learn from the past. Foundational knowledge today requires understanding a diverse range of institutions; being informed and staying abreast of national and international regulatory frameworks; and understanding the underlying economic drivers and their interactions with the financial markets.

Non-foundational knowledge is linked to specialized areas of expertise or concentration, including market risk, liquidity and treasury risk, credit risk, operational risk and resilience, and enterprise risk. It requires understanding those risk factors and their drivers and being able to assess them using stress testing and scenario analysis. For example, liquidity risk management remains critical, and key components include balance-sheet management, stress testing, and contingency plans. For enterprise risk, risk managers need to be aware of how to allocate capital effectively and to evaluate risk-adjusted returns on capital.

Respondents evaluated 253 knowledge statements in total, distributed across the 10 foundational and six specialized content areas. There were 119 foundational knowledge topics in 10 sub-areas and 134 non-foundational topics within the areas of market risk, credit risk, liquidity and treasury risk, operational risk and resilience, enterprise risk, and climate risk, the last of which is new in the 2024 survey.

Knowledge Content Areas and Topics

Foundational Knowledge	119 Knowledge Statements Total
Overview of financial risk management	4 statements
Asset classes and financial instruments	14 statements
Institutional framework of markets	5 statements
Regulatory and accounting environment	8 statements
Accounting practices and principles	11 statements
Finance and economics	11 statements
Statistical and probability analysis/ econometrics	11 statements
Financial mathematics	24 statements
Modeling	17 statements
Technology and data	14 statements

Non-Foundational/Specialized Knowledge	134 Knowledge Statements Total
Market risk	18 statements
Credit risk	28 statements
Liquidity and treasury risk	24 statements
Operational risk and resilience	25 statements
Enterprise risk	19 statements
Climate risk	20 statements

Respondents used the five-point scale to rate how important each knowledge area was to their own work. Thirty-four out of 119 foundational knowledge areas held scores above 4, as did 10 out of 134 non-foundational/specialized knowledge areas. Knowledge that is foundational to financial risk management was rated higher by all respondents, regardless of whether they were generalists or specialized in a specific area of financial risk. On average, across all respondents, foundational knowledge received higher importance ratings than did knowledge associated with the specialized risk topics.

Knowledge used by financial risk managers is organized into two categories: foundational and specialized.

Most Important Knowledge Areas

The most important foundational and non-foundational knowledge areas, according to survey respondents, include the following:

The five most important foundational knowledge areas:

1. Basic risk types (e.g., market, liquidity, credit, operational)
2. Risk measures (e.g., expected shortfall, value at risk)
3. Interest rates, foreign exchange rates, inflation and deflation
4. Bonds (e.g., sovereign, corporate, municipal, speculative/junk)
5. Valuation methods (e.g., net present value, simulations, replication)

The five most important non-foundational knowledge areas:

1. Market risk factors (e.g., prices, volatility)
2. Credit risk drivers (e.g., macro-economic conditions, industry conditions, company or individual-specific conditions)
3. Scenario and stress analysis
4. Risk drivers (e.g., volatility, interest rates, correlation, basis risk) of financial derivatives
5. Asset liquidity

Survey respondents identified all knowledge areas as moderately to extremely important to new financial risk managers – i.e., within the first five years of practice.

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Top Knowledge Used by Risk Managers With Specialized Expertise

To give a more balanced view, the results below are broken out by area of specialization, showing how specialist financial risk managers rated the knowledge in their areas of expertise. Climate risk was added this year to the FRM survey.

Market Risk

- Scenario and stress analysis
- Market risk factors (e.g., prices, volatility)
- Risk drivers (e.g., volatility, interest rates, correlation, basis risk) of financial derivatives
- Interest rate model and features (e.g., term structure, negative rates, single and multi-factor)
- Valuation risk categories (e.g., market price uncertainty, model risk, concentration, unearned credit spreads)

Credit Risk

- Measures of portfolio credit risk (e.g., expected loss, unexpected loss, concentration risk)
- Credit risk drivers (e.g., macro-economic conditions, industry conditions, company)
- Correlations in credit risk (e.g., default correlation)
- Default forecasting
- Measures of individual exposure credit risk (e.g., probability of default, exposure at default)

Liquidity and Treasury Risk

- Balance sheet management (e.g., asset-liability management [ALM] funding types, off-balance-sheet positions)
- Liquidity stress test (e.g., liquidity survival horizon, excess liquidity)
- Contingency funding plan
- Liquidity buffers (e.g., eligible liquidity buffer assets, size, diversification)
- Cashflow modeling and analysis

Operational Risk and Resilience

- Business continuity and resilience planning, crisis management, and disaster recovery
- Financial crime risk (e.g., fraud, money laundering, terrorism financing) and mitigation
- Threats to business continuity (e.g., system dependence, cybercrime, malware, natural catastrophes, pandemics, third parties, operational outages)
- Compliance risk
- Strategic risk

Enterprise Risk

- Capital allocation and risk budgeting
- Economic capital planning and management
- Capital and liquidity recovery and resolution planning
- Integrated risk management
- Risk appetite definition and implementation

Climate Risk

- Emerging trends in regulations
- Climate-related financial instruments
- ESG investor trends
- Transmission channels
- Data and methodology

Respondents were also asked to identify when in a financial risk manager's career he or she should acquire the various knowledge areas, using five levels of experience:

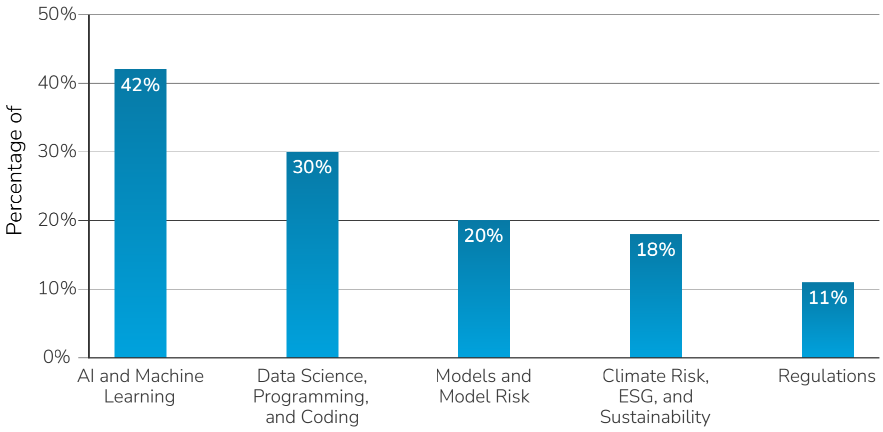
1 - Not necessary
2 - Less than two years
3 - Two to five years
4 - Six to 10 years
5 - More than 10 years

Average acquisition scale ratings ranged from 2.60 to 2.99, suggesting that even the lowest-rated knowledge areas must be acquired within the first two or three years of practice.

New Risks, New Learning Opportunities

The GPA survey included several questions about the topics for education or training that risk professionals find most valuable to enhance their personal professional development or the professional development of teams they managed. Respondents pointed to education or training related to AI and machine learning as a key focus area for continued education (42%), followed by data science, programming, and coding (30%). Also on respondents' radar screens were models and model risk (20%); climate risk, ESG, and sustainability (18%); and regulations including Basel-related capital changes (11%).

Trends in Continuing Risk Education



Respondents provided qualitative feedback related to new knowledge they had sought and obtained during the past year that enabled them to better perform their jobs. The top five knowledge areas aligned closely with their continuing education goals: AI and machine learning (44%); data science, programming, and coding (31%); climate risk, ESG, and sustainability (26%); models and model risk (22%); and regulations including Basel-related capital changes (20%).

Pursuing training in a range of these topics would provide key additions to financial risk managers' array of knowledge and skills, enabling them to perform at higher levels in their roles. They also recognized the need to keep abreast of regulatory changes to continue to provide expertise and add value to their organizations.

Respondents pointed to education or training related to AI and machine learning as a key focus area for continuing education.

GPA Trends: 2025 vs. 2021

Because GPA surveys are developed to reflect current financial risk management practices, skills, and knowledge requirements, and the profession is constantly evolving, there is typically variation each time a GPA survey is administered in terms of the tasks and knowledge presented to respondents for review and evaluation.

GARP certification and education professionals who oversee the creation, administration, and analysis of the GPA survey have a long-term perspective and have identified specific areas of risk management practice that gained traction in 2025 over the 2021 survey results. These changes include increased focus on and adoption of new technologies such as AI, greater reliance on big data, heightened recognition of the need for proactive operational risk management in the face of global risks impacting the financial services industry, and an increased awareness of the impact of climate risk on financial risk management. These changes led to the inclusion of both new and updated tasks performed by financial risk professionals.

The knowledge list was expanded to reflect increased focus on topics needed in the contemporary financial risk environment. Foundational knowledge needed by all financial risk managers remained largely unchanged since the study conducted in 2021. However, the results of the 2025 study do reflect some refinements and new areas of focus in the different risk classes, as well as new material related to climate change and technologies including AI and machine learning.

Topics were added related to risks emerging from the proliferation of digital currencies and associated banking issues; greater focus on fraud and cybercrime; the impact of geopolitical events, climate risk, and corporate finance events; and changes in technology, the use of big data, and the implementation of AI (including recognition of biases that may impact modeling).

Knowledge in the specialized risk areas of market, credit, liquidity and treasury risk, operational risk and resilience, and enterprise risk was also updated to reflect current trends. New knowledge areas include risks related to algorithmic trading; risk drivers of financial derivatives; interest rates and the banking book; operating limits; segment exposure; country and sovereign risk; differences in key performance indicators (KPIs) in different companies, countries, and economies; enterprise and reverse stress testing; and processes for identifying and managing emerging risks.

The knowledge list was expanded to reflect increased focus on topics needed in the contemporary financial risk environment.

Conclusions

Financial risk professionals are a vital part of an integrated system to manage and communicate risk. GARP's GPA explored the knowledge and capabilities financial risk managers need to have in place to effectively identify, analyze, and mitigate financial risk. The results largely confirm that GARP's offerings – particularly the FRM Program, but also the Sustainability and Climate Risk (SCR®) and Risk and AI (RAI™) Programs – address the existing and emerging educational needs of the risk profession.

The study resulted in a contemporary and comprehensive description of the work of financial risk managers' across professional settings, experience levels, job roles, and geographic regions. The findings will support multiple GARP initiatives, including FRM Exam development, updating the FRM curriculum, and the development of education and training offerings. This will ensure that financial risk professionals continually update their knowledge of the most critical emerging areas of practice.

GPA Practice Analysis and Survey Methodology

The GARP Global Practice Analysis survey is a critical component of the GPA study that aims to ensure the content used in GARP certification examinations is valid. In the first phase of the study, GARP assembled 12 experts to identify the knowledge and skills relevant to an entry level financial risk manager. The survey then sought to validate the work of the panel, using input both from FRM Certification holders and eligible non-holders. In the final phase of the study, survey respondents weighed the value of the GPA study's content.

In the first phase, the panelists met in October 2023 to discuss the changes and trends in financial risk management over the past five years. They focused on three topics: the financial risk industry; the relationship between financial risk management and sustainability and climate risk; and financial risk management and AI). Panelists worked in small groups to review and revise task and knowledge statements from the 2021 GPA study and compose new statements to describe more recent developments, especially regarding AI and climate risk.

In the second phase, the survey was used to validate panel-identified content by a much larger sample of financial risk managers. The content was grouped into three areas — performance domains, financial risk sections, and foundational knowledge. After introductory questions, respondents were randomly assigned to rate risk-related statements in each area and to identify the value of financial risk certifications in their careers.

In the third and final phase of the study, survey data was used to determine the amount of respondents' work that is FRM-related, the value of FRM credentials to the individual, and the weight or importance of survey content elements, the latter ensuring a strong link between the GPA study and GARP's certification program.

Working with Meazure Learning, GARP invited survey participants via personalized emails, evaluating and validating the GPA study panel's domain and knowledge statements. A total of 2,497 responses were collected between May 22 and June 16. All tasks and knowledge statements met standard validation rating thresholds, providing robust evidence that the 2024 delineation of financial risk management practice developed in the GPA reflects the critical elements of practice needed for success in the role.

GARP® | Global Association of Risk Professionals

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ABOUT GARP | The Global Association of Risk Professionals is a non-partisan, not-for-profit membership organization focused on elevating the practice of risk management. GARP offers the leading global certification for risk managers in the Financial Risk Manager (FRM®), as well as the Sustainability and Climate Risk (SCR®) Certificate, Risk and AI (RAI™) Certificate, and ongoing educational opportunities through Continuing Professional Development. Through the GARP Benchmarking Initiative (GBI)® and GARP Risk Institute, GARP sponsors research in risk management and promotes collaboration among practitioners, academics, and regulators.

Founded in 1996 and governed by a Board of Trustees, GARP is headquartered in Jersey City, N.J., with offices in London and Hong Kong.

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