

To: Compliance CIO
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Compliance Risk Assessment Observations Memo

Top 5 Risks
Financial Services Company - JP Morgan

International Exposure

Risk: There is an inherent risk when managing foreign assets and transactions abroad. For example, if you make a purchase in euro, there could be an impact to the US dollar depending on when the transaction is made. If the impact is negative, you could end up paying a lot more in unexpected costs and fees. This is especially worrisome now with the exchange rates being low.

Effective controls measurement: If a US company is in a strong competitive position, or a strong brand, they can negotiate to make transactions in USD currency. We can mitigate this risk, if the US company, in such a position, can invoice and make payment in USD and pass the exchange risk to the supplier. This would save the US company potentially thousands of dollars by not having to pay unexpected expenses, costs, and fees.

Key Controls: communication, monitoring, risk assessment, and control activities.

Cybersecurity

Risk: There is an inherent risk that because JP Morgan is trusted with financial assets placed with them, they could be vulnerable to network threats or other high-tech hazards. Cyber risks affect individuals and businesses, and the threat level is always elevated.

Effective controls measurement: We can mitigate this risk by first evaluating the network and conducting an appropriate risk assessment. Ongoing monitoring should be applied and ongoing evaluation of resources to provide continued front-line protection. There are insurance solutions that provide defense and support with the financial impacts of cyberattacks.

Key Controls: information, communication, monitoring, risk assessment, and control activities.

Workplace Violence

Risk: There is an inherent risk that not only JP Morgan, but other financial institutions can become prime targets for violence due to the current climate of crisis in our country. Violence in a financial services institution can be in the form of an armed robbery, violence directed at a peer or leader, violence from a customer, or violence from someone (outside of the company) who may have a personal relationship with an employee.

Effective controls measurement: We can mitigate this risk by having clear lines about workplace violence defined among all personnel. Table-top simulations and situation-awareness training will mitigate risk, but also strengthen the knowledge of all employees. Annual training, re-enforcement, and assessments all help with mitigating this risk.

Key Controls: information and training, risk assessment, and control activities.

Bank-owned Property

Risk: There is an inherent risk that during the financial crisis driven by the global pandemic, presented challenges with the extreme growth of foreclosed and vacant single-family homes and commercial properties.

Effective controls measurement: This risk can be mitigated by creating a team of professionals to set up care and oversight for these properties. Landscaping, cleaning up hazards, taking care of the exterior, physical checks on the property and paperwork filings, are all things that can be done to reduce the risks of vandalism or injury while the property is unoccupied. JP Morgan must secure force-placed property coverage to protect their interests in mortgaged properties.

Key Controls: information and communication, monitoring, risk assessment, and control activities.

Directors and Officers Liability

Risk: There is an inherent risk that due to the current climate of dissatisfaction among workers and mandates involving vaccines, right to privacy, and workplace health safety, that lawsuits initiated by employees, customers, and stockholders will increase.

Effective controls measurement: We can mitigate this risk by securing insurance coverage to protect JP Morgan Directors and Officers against lawsuits, judgements, and settlements in an increasingly litigious world.

Key Controls: information, risk assessment, and control activities.