



# 10 tips for achieving smarter financial risk management

Unlock resiliency and growth by identifying the biggest threats

How can your organization build resilience and drive growth in an unpredictable economic landscape? Effective financial risk management is the key. It moves beyond a defensive posture to become a strategic advantage. Here are ten actionable tips to help you identify, assess and mitigate the critical financial risks facing your business.

## Diversify your revenue and assets

Don't concentrate your risk in one area. Diversify your client base to avoid over-reliance on a single customer or industry. Similarly, spread investments across different asset classes and geographies to buffer your portfolio against localized market downturns.

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## Implement strategic hedging

How can you protect your margins from market volatility? Use financial instruments to manage uncertainty. Lock in exchange rates for future transactions with forward contracts to mitigate currency risk, and consider interest rate swaps to convert variable-rate debt into a more predictable fixed rate.

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## Strengthen your credit underwriting

Your foundation is built on reliable borrowers. Establish clear, robust underwriting policies before extending credit. Augment traditional credit scores with advanced analytics to gain a more complete picture of a counterparty's financial health and ability to repay.

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## Maintain robust liquidity

Cash flow is the lifeblood of your organization. Hold sufficient cash reserves and high-quality liquid assets (HQLA) that can be easily converted to meet short-term obligations. A strong liquidity position is your best defense against unexpected cash demands.

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## Secure diverse funding sources

How will you access funds during a crisis? Establish committed lines of credit with multiple financial partners and cultivate a stable, broad deposit base if applicable. This ensures you are not dependent on a single source when you need capital most.

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## Fortify your cybersecurity defenses

Operational risk often begins with a digital threat. Invest in advanced cybersecurity measures including firewalls, intrusion detection systems and encryption. Your best defense includes technology and your team.

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## Foster a risk-aware culture

Your people are your first line of defense. Implement continuous training for employees to recognize threats like phishing and social engineering. Encourage an environment where staff feel empowered to report potential issues without fear of blame.

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## Automate and audit internal controls

Human error and internal fraud are significant operational risks. Automate routine processes to reduce manual mistakes and enforce segregation of duties, ensuring no single person controls a critical transaction from start to finish. Conduct regular internal and external audits to test these controls.

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## Conduct rigorous stress testing

How would your business perform in a worst-case scenario? Model the impact of extreme but plausible adverse events, such as a sudden recession or a major counterparty failure. Use these insights to identify vulnerabilities and strengthen your capital and liquidity plans.

9

## Monitor systemic risk indicators

Look beyond your own four walls to understand broader economic trends. Track macro-financial indicators like debt-to-GDP ratios, asset price valuations and market volatility. Integrating this "big picture" view helps you adjust your strategy before a system-wide shock occurs.

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