

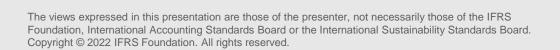
## Dynamic Risk Management Webcast



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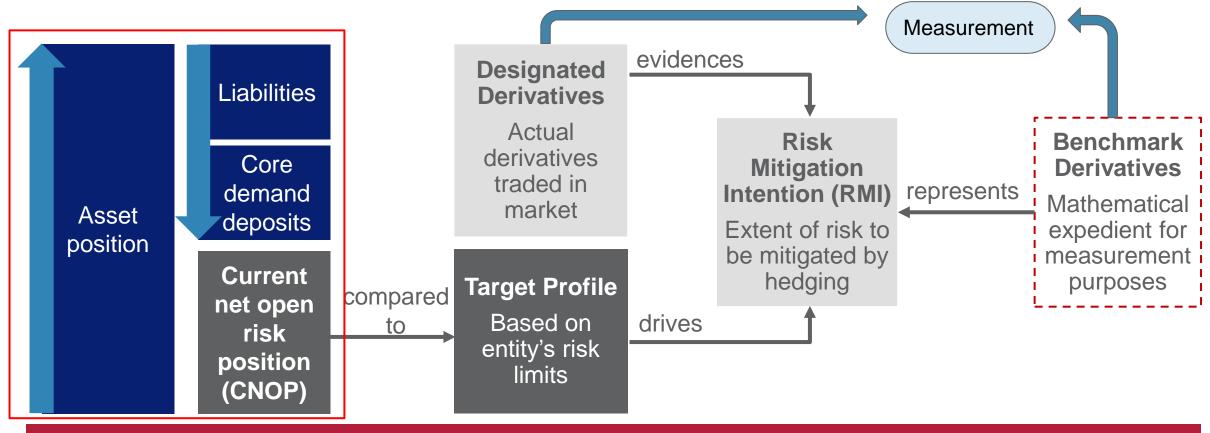


# Current net open risk position





#### Elements of the DRM model



Risk Management Strategy



## Current net open risk position (CNOP)

Risk managed under DRM model Current net open risk position (organic risk exposures)

Risk from eligible assets

Risk from eligible liabilities

Risk from eligible future transactions

Risk from designated derivatives

Risk outside of DRM model

Risk from other items ineligible for the DRM model

Risk from other derivatives

Total interest rate risk managed by risk managers

Potential deviation between risk management view and DRM view

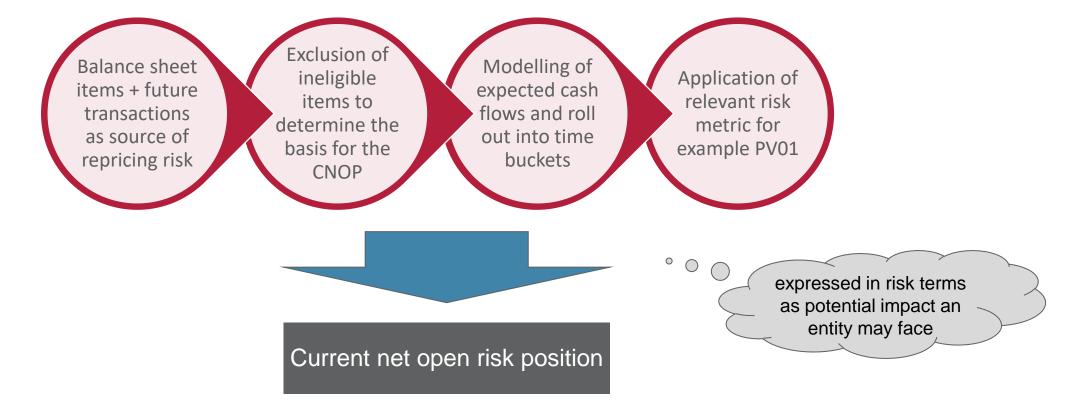
**Underlying positions** 

**Derivatives** 



### Current net open risk position (CNOP)

Entities may work out their CNOP for DRM purposes in various ways as per their risk management strategy. Some key process steps are illustrated below:





#### Current net open risk position



#### Question

 How does the concept of CNOP interact with the notion of residual risk / the target profile?

#### Response

- CNOP is the total risk exposure excluding derivatives. We call it an entity's organic risk exposure
- Residual risk is the position after the entity's risk management activities
- Target profile is not a real position but a range of risk positions an entity is willing to accept



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