

## BUILDING AN INTERCONNECTEDNESS RISK MANAGEMENT PROGRAM

In today's highly connected financial marketplace, risk managers can no longer view financial companies as standalone distinct entities due to their diverse set of interconnected components that transmit risk, often in ways that are not transparent or expected.

The failure of one highly interconnected entity can quickly and broadly propagate risk across the global financial system and have a devastating impact on financial stability, due to the fact that financial institutions are linked through global intermediation chains, which create an elaborate web of mutual interdependencies.

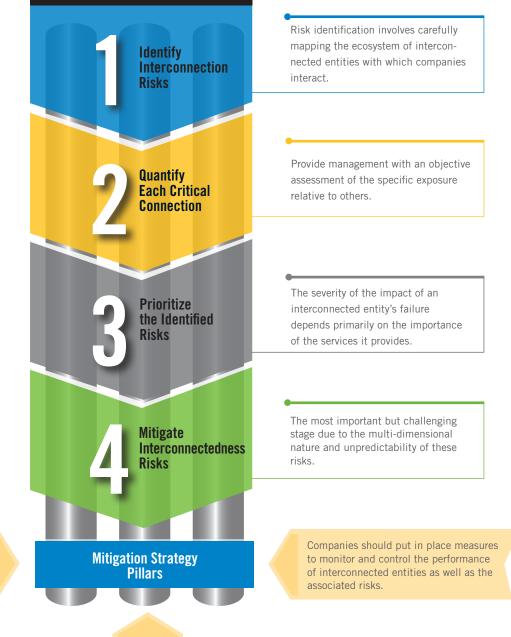
Constructing an interconnectedness risk management program can be a difficult task for financial companies given the level of complexity associated with identifying and mapping the vast number of interconnections.

For more information about DTCC's Risk Management program, go to http://www.dtcc.com/about/managing-risk

Companies should choose the most robust

interconnected entities and diversify their

exposure across these entities.



Companies should aim to build resilience by developing strategies that minimize the impact of an interconnected entity's failure on their core functions.

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