

Quantify legal and
compliance risks from
zero to hero

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#RISKWARENESSWEEK2021

@hewyler

RISK
AWARENESS
WEEK²⁰²¹



1- The what



Compliance risks
internal and external obligations
ISO 37301:2021

Legal risks
legal and contractual obligations
ISO 31022:20210



Legal, illegal, legal, illegal

2- The why



🐙 It's all about corporate defense



🐙 Anything worth doing is worth doing poorly at first



🐙 Sell stories, buy statistics

2- The why



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2- The why



🦑 It's all about corporate defense



🦑 Anything worth doing is worth doing poorly at first



🦑 Sell stories, buy statistics

3- The how

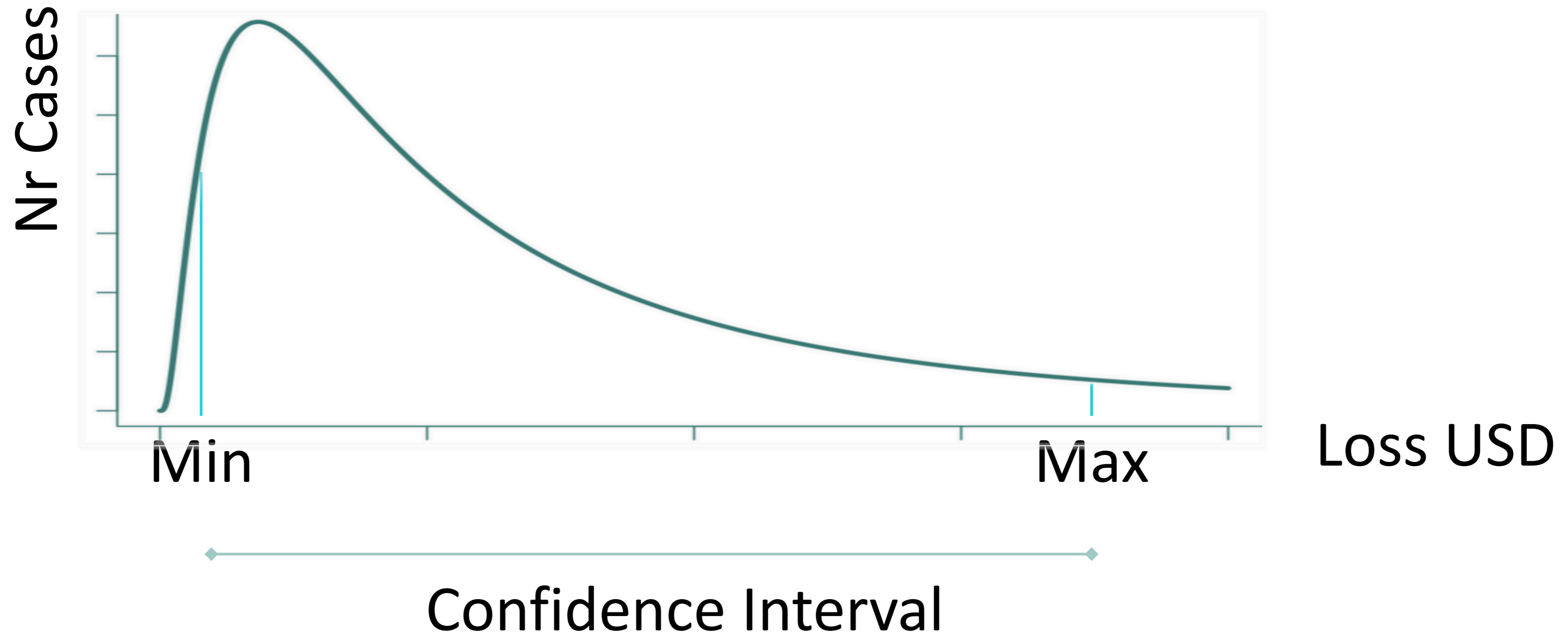
- 🐙 Decision trees
- 🐙 Monte Carlo Simulations
- 🐙 Calibrated estimates

- 🐙 Histograms
- 🐙 Loss exceedance curves

- First tier losses
 - 🐙 Penalties and indemnizations
 - 🐙 Fines and sanctions
 - 🐙 Legal and remediation costs


- Second tier losses
 - 🐙 Loss of customers
 - 🐙 Marketing depreciation
 - 🐙 Loss of licences
 - 🐙 Stock price

3- The how



3- The how

$$\text{Single Loss USD} = \text{Ln} \left(P(A), \mu = \frac{\text{Ln (Max)} + \text{Ln (Min)}}{2}, \sigma = \frac{\text{Ln (Max)} - \text{Ln (Min)}}{\text{Standard Error}} \right)$$

 **=LOGNORM.INV(RAND(),(LN(Max)+LN(Min))/2,(LN(Max)-LN(Min))/standard error))**

z*-value*2	Confidence Interval	Standard Error
	80%	2.56
	90%	3.29
	95%	3.92
	99%	5.15

Tool Demo

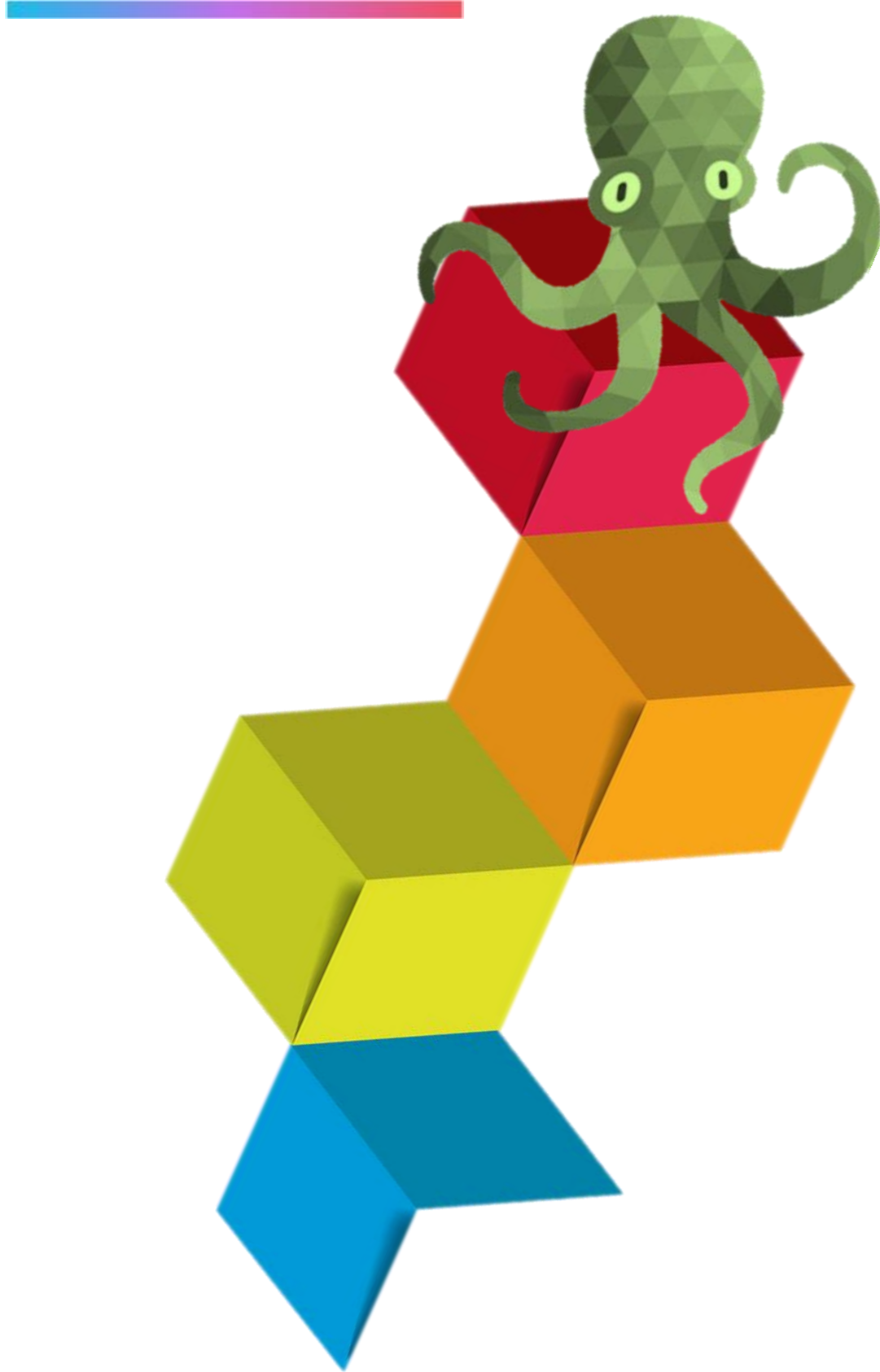
Monte Carlo Simulation-based model for legal and compliance risks

Tool to assess compliance and legal risks

Business cases

- 🦑 A **Housing Maintenance Code** provides for a civil penalty of a minimum of \$1,000 with a maximum of \$3,000 for lead violations
- 🦑 A **Copyright Infringement Law** sets penalties of \$200 to \$150,000 for each work infringed and attorney's fees and court costs
- 🦑 A **Privacy Regulation** imposes fines in the range from \$100 to \$50,000 per violation, with a total of \$25,000 to \$1.5 million for all violations of a single requirement in a calendar year
- 🦑 A **contractual clause** sets a penalty for invoices received beyond the 2 months after a compulsory deadline. It applies an immediate penalty of 5% of the value of the invoice per month of delay with a minimum of \$200 penalty up to a maximum of 30% of the value of the invoice

Let's connect



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