

COMPARATIVE DESCRIPTION OF RISK-MANAGEMENT STANDARDS COSO AND FERMA

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At present risk-management as a means of improving the effectiveness of a company is one of the most relevant activity for any enterprise. Today's companies, one way or another, constantly face certain risks – market, credit, operational, financial, political, etc.

Considering this, in managing an organization it's impossible to avoid strategic and operational risk-management planning which, in turn, is based on risk analysis and integration of risk management into the overall company management system.

All of the above determines the relevance and feasibility of qualitative study of specialized risk-management standards which are most common in the world practice. This paper presents the comparative description of international risk-management standards COSO and FERMA (Table 1).

These two models give an indication on how the risk-management system should function in any company in the world.

The COSO and FERMA models provide a general idea of how the risk management system should operate in any organization:

- define the objectives of the organization (for example, by analyzing of the statutory documents, the strategy of the organization, etc.);
- make a list of events and factors that can negatively affect the achievement of the goals defined in the preceding step (i.e., a list of risks);
- identify the evaluation methods for each risk;

Table 1

Comparative description of the standards
COSO and FERMA

Characteristics	COSO	FERMA
Developer	The Committee of Sponsoring Organizations of the Treadway	The Federation of European Risk Management
The year of adoption	1992 – original model; 2013 – COSO II; 2017 – modified model.	2002
Scope of application and the main users	This standard is most expedient to use in large financial organizations. Its main users are internal auditors.	It is well suited for inclusion in the risk management system of any enterprise, but aimed at professional risk-managers.
Main objectives	- determination the level of risk in accordance with the company's strategy; - improvement of decision-making processes to respond to the risks; - definition and management of the totality of risks; - the exploitation of favourable opportunities; - efficient use of capital.	- harmonization of the definitions of «risk» and «risk management»; - an explanation of the internal and external risk factors, risk-management processes; - the development of risk assessment procedures and methods for its analysis; - defining the responsibilities of the risk-managers.
The definition of «risk-management»	Risk-management is a process which is implemented by all employees, begins during the development of a strategy and take over the whole activity of the organization. It is focuses on identifying of events that affect the organization and manage associated risks.	Risk-management is a part of strategic management and is inseparable from daily operations of the company. This is the process by which an organization analyzes risks of each kind of activity in order to maximize the effectiveness of the activities as a whole.
Recommendations for the introduction	Absent	Provided
Obligatory	Required only for companies whose shares are traded on the New York Stock Exchange.	It is not mandatory.

Source: based on [1-3].

- describe and systematize all company's risks for convenience when making decisions on how to reduce these risks;
- describe the risk management measures and consider ways of supporting their implementation;
- organize a risk monitoring system to determine the effectiveness (a positive effect of risk-management), timeliness and viability of this system;
- then develop a system of internal control over risk-management;
- conduct periodic inspections of risk-management with a view to its compliance with the requirements of standards or norms [4].

To summarize we can say that COSO and FERMA are one of the major international risk management standards. These standards are the most suitable for modern realities. The application of the approaches set out above as part of building corporate systems of risk management in practice will allow to improve the risk management of any enterprise and increase the efficiency of its activities in the market.

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