



Operational Risk

What is Operational Risk?

The “10 commandments” of operational risk

Factors influencing the importance of operational risk

- Market consolidation and margin squeeze
- The complexity and sophistication of IT systems
- Basle II, is there a need for Basel III
- Hidden risks posed by complex financial products

Identifying and classifying operational risk categories

- Fraud and theft
- Systems and operations
- Communications
- Documentation
- Improper business or market practices
- Suitability, disclosure and fiduciary
- Unauthorised activity
- Transaction capture, execution and maintenance

Work group session – analyse and categorise the top risk loss events of 2009/10

Analysing specific risks

- Technology
- People
- Process
- External/Counterparty

Measuring operational risk

- What is measured and how
- What not to measure
- The interpretation of information

Generic approaches

- Do nothing
- Insurance
- Risk profile mapping
- MIS
- Straight through processing (STP)
- Processes and controls
- Systems reconciliations

Soft issues

- Building risk awareness culture
- Building consensus on risk allocation policies
- Building sense of responsibility for risk reduction

- Corporate governance

Identifying and tackling line management issues

- Assessing the level of senior management buy-in to operational risk solutions
- Understanding reporting lines and roles\responsibilities
- Implementing effective management control
- Empowerment and staff control