

PracticalOpRiskSolutions



Designing And Implementing An Effective Operational Risk Framework

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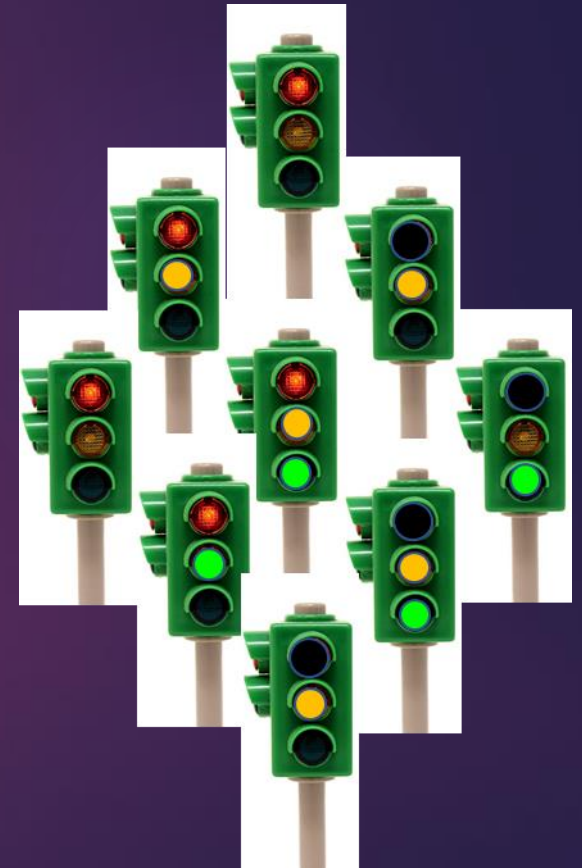
Key Controls

- ▶ Controls identified via RCSA
 - ✓ Risk based - concentrate on Key Controls
 - Reduces/mitigates High/Medium residual risk
 - ✓ Ownership - 1st line - 2nd line challenge
- ▶ Can I rely on the Key Control?
 - ✓ Testing/assurance
 - Design and effectiveness
 - Tested regularly



Key Risk Indicators (KRIs)

- ▶ Risks identified via RCSA
 - ✓ Which are Key Risks - High/Medium residual rating?
- ▶ Key Risk Indicators
 - ✓ Available information - develop and update over time
 - ✓ Able to monitor regularly
 - ✓ Forward looking ('leading' not 'lagging')
 - ✓ Action if red/yellow
 - ✓ Tell a story -not a 'sea of green'
- ▶ How regularly do I update/refresh my KRIs?



Lines of Defence

- ▶ First Line
 - ✓ Owns, monitors, tests
- ▶ Second Line
 - ✓ Designs, reviews, challenges
- ▶ Third Line
 - ✓ Independent assurance
- ▶ Effective?
 - ✓ First Line : gatekeeper or facilitator?
 - ✓ Second Line: business knowledge *and* effective challenge?
 - ✓ Framework embedded throughout the lines of defence?



Governance of Operational Risk

- ▶ Risk committees/boards
 - ✓ Operational Risk Management representation
- ▶ Operational Risk reporting
 - ✓ Clear picture of Operational Risk profile
 - KRIs owned by 1st line and challenged by 2nd
 - Discussion of significant Operational Risk events
 - Within Operational Risk appetite (quantitative and qualitative)?
 - Review Operational Risk Framework at least annually, including any conduct/culture issues that have arisen



Measures of Success



Performance

Trend by
business line

OR losses as
% revenue

Confidence
in achieving
objectives

% RCSAs not
completed on
time

Use Test

% Employees
not attended
OR training

Culture

Any Questions?

