Webinar
Operational Risk Management (ORM) for Public Debt Managers

OPERATIONAL RISK MANAGEMENT FRAMEWORK IN TURKISH TREASURY PUBLIC FINANCE

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Agenda

- Some basic definitions
- Brief history of ORM at Turkish Treasury GDPF
  - How it was initiated
  - How it evolved over time
- Recent developments and challenges
Operational Risk Management

- Operational Risk Management is a process to identify, monitor and effectively manage and take the necessary measures to control the operational risks to which the Undersecretariat of Treasury, General Directorate of Public Finance (GDPF) is exposed within the framework of its institutional aims and objectives.

- ORM as an important part of «overall risk management» just like market or credit risk.

- It’s an effective tool for internal control.
Stages of Operational Risk Management

- Set up of a ‘strategic management unit’ and initiation of ‘internal control mechanism’ within the Treasury
- Turkish Treasury is supported by EU-OECD SIGMA (Support for Improvement in Governance and Management) Peer Collaboration
- Internal Control Mechanisms → COSO model used as a qualitative methodology

2007 - ORM / Pilot Project
  GDPF – Back Office Practices
2008 - ORM / Project
  GDPF – Front Office Practices
  Middle Office Practices
  Support Units Practices

2009 - Implementation of ORM in GDPF

2010 – ORM Information System (ORMIS)
Operational Risk Management Processes

Identifying Operational Risks

- Strategy
- Objective
- Risk Appetite

Measuring

- Likelihood
- Impact

Setting The Risk Matrix

New Control Mechanisms

- Check List
- Training Program
- Business Guides

Monitoring and Reporting

- Incident Reports
- High Priority Risks Report
- Monitoring Reports
- Risk Bulletin

Risk Profile Table

Developing Appropriate New Control Mechanisms
<table>
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<tr>
<th>Risk Likelihood</th>
<th>Impact Level of Risk</th>
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<tbody>
<tr>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Very Low</td>
<td>8</td>
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<tr>
<td>Low</td>
<td>8</td>
</tr>
<tr>
<td>Medium</td>
<td>0</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
</tr>
<tr>
<td>Very High</td>
<td>1</td>
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Risk Mitigation

- Control lists
- Protocols/agreement
- Changing business processes
- Training
- Internal audit
- Business continuity plan (BCP)
Number of Quarterly Total Incidents
Benefits of ORM

- Increased awareness among all related GDPF units: continuous involvement of the staff
- Manage risks efficiently
- Consistency with senior management priorities
- Decreased number of errors
- Ensure that relevant units are aware of risks
Business Continuity Plan in Public Finance

- Business continuity within an ORM framework
- Managed by the Middle Office (not IT Department)
- Derived from the needs of the staff
- Executive support
- Critical processes updated and new critical processes added in line with debt management developments
- Separate manuals for each critical process (WIP)
- Annual test for some critical processes, first one in 2013
- The last test in March 2016
Difficulties and Challenges

- Dynamic process; depending on developing and changing debt management environment as well as risk sources.

- Ongoing process: increasing importance with changing external threats like terrorist attacks etc.

- Too many and frequent revisions.

- Coordination may be disrupted sometimes: personnel may not pay enough attention (secondary nature of the work).
Thank you...

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