



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

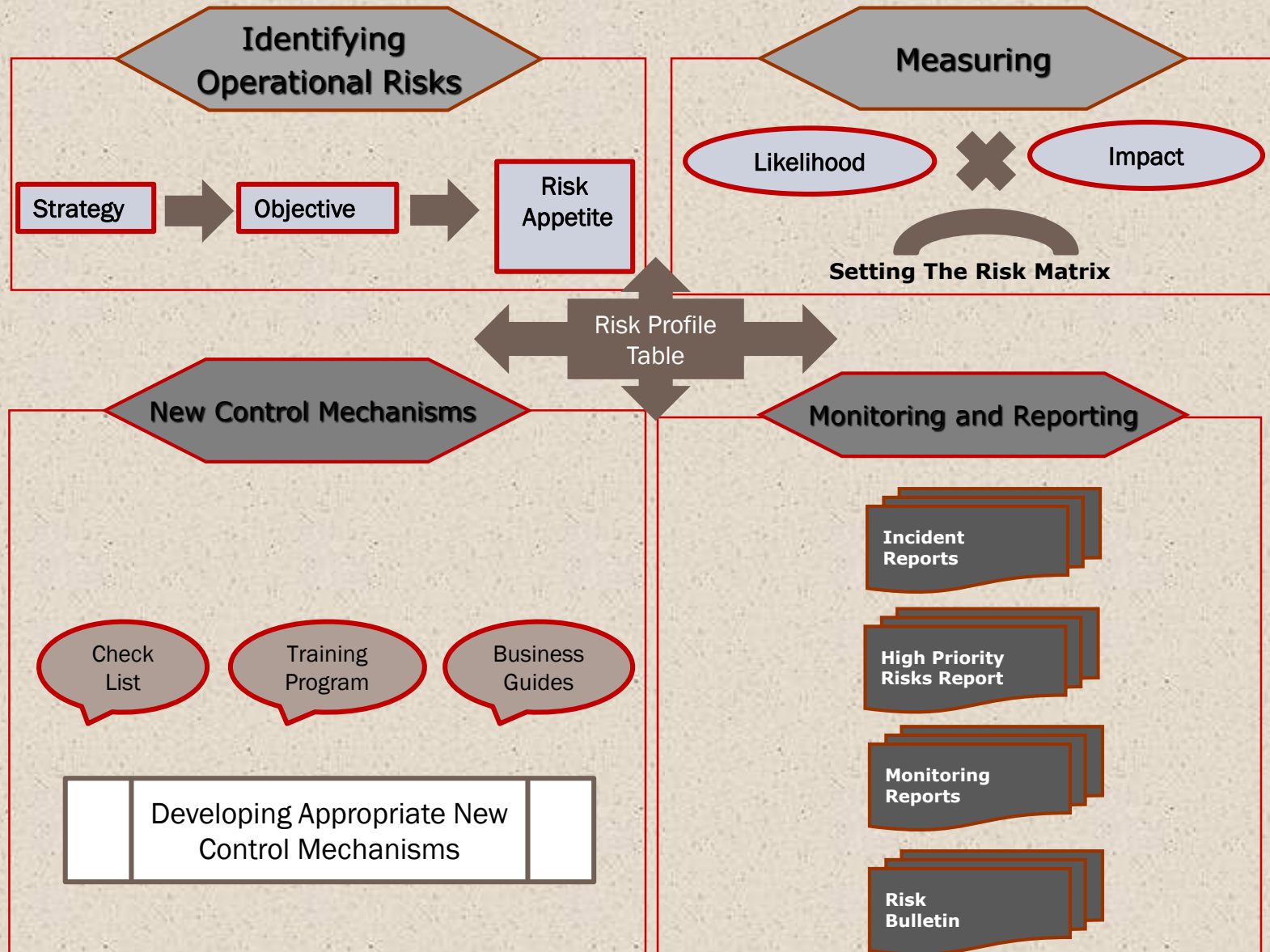
Operational Risk Management

- 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

- Legal Framework: PFMCL (2003) & PFDM Law (2002)
- 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



Risk Matrix

		Impact Level of Risk				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood of	Very Low	8	33	28	55	49
	Low	8	36	62	123	6
	Medium	0	8	22	7	1
	High	2	3	1	1	0
	Very High	1	1	0	0	0

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
- Seperate 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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