United Kingdom
Debt Management
Office

Operational Risk Management Framework

The World Bank Webinar

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Date: 7th December 2016

OPERATIONAL RISK
Chain of Events

The Bank for International Settlements (BIS) defines Operational Risk as:

'*The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.'*

CORPORATE CULTURE
Identity

'The way we do things around here'

- Risk
- Occurrence
- Management

CORPORATE CULTURE
Risk Culture

- Impacts to the Risk Culture:
  - Quality and integrity of staff;
  - Extent of change the organisation is going through;
  - Effectiveness of the control environment; and,
  - Reward practices.

OPERATIONAL RISK FRAMEWORK
Key Components

OPERATIONAL RISK FRAMEWORK
Operational Risk Policy

- Outline:
  - Sponsorship
  - Identifying Key Risk Officers
  - Firm-Wide Approach
  - Roles and Responsibilities
  - Principles of the Three Lines of Defence
  - Co-ordination
  - Acceptable Risk Levels
  - Control Standards Framework

OPERATIONAL RISK FRAMEWORK
Constraints

- Implementing an Operational Risk Framework:
  - Data collection and management constraints
  - Cultural constraints
  - Resource and cost constraints
  - Indicator constraints