THE MODERN ORM SYSTEM

OpRisk EVO

Providing Solution to Grow Your Business

OpRisk EVO & BCM BIA

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OpRisk EVO

OpRisk EVO is a suite of modular web-based applications integrated into one system, which support the process of collection, measurement, monitoring, analysis and reporting of all kind of operational risk information. OpRisk EVO is based on a robust technical architecture which is fully scalable, so that the system can evolve consistently with the Bank's needs.

OpRisk EVO suite of modular applications are natively integrated and accessible via a unique, user-friendly interface. OpRisk EVO integrated suite includes the following modules/applications:

- Loss Incident Data Collection and Management Application
- Risk Control Self-Assessment (RCSA) Application
- Key Risk Indicators (KRI) Application
- Risk Scenario Analysis Application (SA) with AI Capabilities
- Key Control Test (KCT)
- Business Continuity Management (BCM)

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WHY?

Ease of Use

OpRisk EVO provides a consistent interface for all users and contributes to establishing a common language within the organisation, as well as the promotion of an operational risk culture.

Loss Incident Data Collection and Management

Within OpRisk EVO, the Loss Data Collection application allows to collect and organize the loss events information in a structured and coherent way, organizing them in organisational units, Basel II business lines and event types in compliance with the Basel II Accord, and meeting the criteria of certainty, timeliness, completeness and traceability.

OpRisk EVO is a web-based solution, deployable to the bank's intranet infrastructure, which makes it easy for all organisational units and regional hubs to submit all loss incident data and information, including document attachments to the bank's head office and central operational risk management function.

LDC process

Data relevant to Operational Risks are collected on the basis of the Incident/Event, which has to be registered, matched with other information (losses, recoveries, provisions), controlled and validated before further
computing, analysis and reporting. OpRisk EVO features a powerful and easy to configure workflow supporting a widely distributed Loss Incident Data collection process, which is made very efficient thanks to the system's internal messaging system, through which assigned users can be automatically notified.

Workflow

Through an intuitive graphical interface, the various steps for the Loss Incident data collection can be created. Fields that have to be filled up at each step are defined, choosing from the list of fields in the registration form.

Organization Structure

When registering, the Loss Data Collection module meets Basel II standard criteria (business line and event type) with the organizational structures of the bank (organizational map). In other words, it is possible to set the own Organizational Map into OpRisk EVO, and to create mappings from internal organizational levels to Basel II business lines. It is also possible to extend Basel II business lines with further "custom" detail levels. There is no limit as to the number of levels that may be added.

Processes

Throughout OpRisk EVO, the management of the several tree structures is consistent. Creating, editing or deleting a process, follow the same logic as for the organizational hierarchy and business lines. The cartography of processes is managed the same way as organization and business lines trees. For each process, relevant business lines and organizations units can be associated.

Event Registration

Attributes of Loss Event are collected via a registration form. To make it easier collecting, reviewing and consulting data, it is possible grouping data in sections. OpRisk EVO gives maximum freedom in deciding which attributes inserting in which section, and sections order. Once the registration has been completed, loaded data may be controlled via a summary window. Information showed in the summary window can be dynamically selected via OpRisk EVO "change columns" feature, which enables the definition of columns to be shown, and of columns order.

Macro events

Since any event may be registered under one Business Line only, and within a unique Company of a Group, Loss Data Collection module introduces the concept of Macro event, or Crossing Event. A Macro event is a logical entity representing a set of Events which have generated losses in different Business Lines and/or Companies of the Group, and which can be described to the same event "crossing" the Group or its activities. Then, any Event may be linked to a Macro event in order to obtain integrated information regarding losses and referring to a "Macro" circumstance.

Preventive Diagnosis

Loss Data Collection module enables massive import of internal data collected with different applications (Excel, Access, etc.). The module automatically executes a preventive diagnosis for a rapid and effective depuration of events that are anomalous, non-validated, etc. By this way OpRisk EVO ensures accuracy of data and completeness of the sources.

Losses, Recoveries, Provisions loading

Since the Event has been registered, it is not yet associated to any effective or esteemed loss amount. Losses, Recoveries and Provisions may be loaded at the end of the registration process or after it (flexible workflow). When loading data after the registration process, the additional information may be updated using the commands Insert/Find Recovery, Insert/Find Loss, Insert/Find Provision.

Users may choose the currency in which the losses, provisions and recoveries are captured. OpRisk EVO fully supports a multi-currency environment by providing rich features to manage international loss incident data capture and reporting.

Documents Attachment

It is also possible to enrich the Event with further information by attaching documents of whatever format (PDF, DOC, XLSX...etc). Those documents are locally available to all the authorized users: this make it easier to share all the relevant information to a proper collection process.

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Validation

Enabled users only are allowed to validate both Losses/Recoveries/Provisions linked to the Event, and the Event itself. Losses, Recoveries and Provisions may be also validated by authorized users; but the Event must be validated by users with an upper profile. When the validation has been requested, data relevant to the Event are controlled under a formal and logic point of view. Once they have been verified, validation is confirmed. The internal messaging system warns relevant users automatically according to their profile of events needing validation and automatically presents a link to the complete list of events awaiting validation.

Events go through a validation check, and the system is configurable by users as to which users may have the rights to override validation checks. Special users with validation rights such as Compliance officers or Internal Audit Officers have the right to Invalidate an event, thus reinitiating the validation process.

Extraction

Once the Event has been validated, it can be extracted. This function enables data flow towards external systems. The Loss Data Collection module permits the effective data import/ export to consortium loss databases (Dipo, Orx, Malaysia ORR), data export in Excel files for analysis by histograms, pie charts, etc., and dialogue with the Accounting System for losses reconciliation.

Search Engine

For all the searching purposes a powerful search engine is available, which enables database filtering via all the fields of the Database, and by this way giving results as granular as desired. It is also possible to search through the tracking information in detail for instance for system administration checks.

Risk and Control Self Assessments

The Risk Control Self-Assessment (RCSA) is the process of using structured questionnaires to identify control weaknesses associated with operational risk events and losses, based on expert opinion. In order for the output to be meaningful, the RCSA process must follow a process that is relevant, consistent and objective, therefore the following criteria are implemented:

- Relevance: The control issues must be relevant to a business line and risk type.

- Answer Choices: The possibility to enter predefined answer choices to reduce the subjectivity of the assessment.

- Weighting: The control issues are weighted according to relevance
- Scale: All scores are converted to a consistent scale, e.g. 0 to 100

- Normalization: A theoretically valid normalization process to ensure comparability of the results across organizational units and risk event types.

- Validation: The possibility to validate the assessments to avoid “gaming” the system.

The questionnaires used within the self-assessment process are structured according to the two dimensions of the common business unit – risk event type matrix (analytical risk matrix), which are the internal organizational structure and the risk event type categories. This structure allows the integration of the control assessments and the assessment of the risk level.

Every question within a questionnaire has an associated control issue. The control issues are determined based on loss experience through the analysis of internal and external loss cases and the business processes, where losses and control failures may have occurred.

For each control issue/question a rating on a user definable scale can be assigned, which is separated into user definable ranges for color coding. For each control issue/question a relative weighting according to the importance of a control issue/question for the respective risk event category can be assigned. The assigned ratings for each control issue/question are weighted, normalized and aggregated along the questionnaire to calculate the resulting normalized total score for each risk event category. Since it is impossible for the resulting scores of each event category to have uniform meaning, the scores are being normalized in a theoretically valid way, in order to produce results which are comparable across risk event categories and business units and to carry out qualitative adjustments on the operational risk

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Key Risk Indicators

KRIs are metrics through which operational risk trends and hotspots in a business unit can be identified. They should be objective, quantifiable measures of business activity that reflect changes in the level of operational risk to which a business is exposed in its everyday operations. With the proposed software solution KRIs can be monitored and reported on an ongoing basis so shifts in indicator levels can be observed and acted upon.

The benefits of effective KRIs are:

- Warning signals before the event occurs. KRIs help to indicate increasing risk before actual loss events occur, triggering management to investigate and hopefully avoid operational risk losses.
- KRIs serve as trackable quantifiable metrics and therefore are a good basis for setting targets for business managers and risk managers.
- Furthermore, KRIs serve for qualitative adjustments to incorporate Internal Control Factors into the Capital Calculation (according to paragraph 676 Basel II “Business Environment and Internal Control Factors”).

As such, KRIs serve as a bridge between identification of risk, and ongoing management and incentives linked to risk control via qualitative adjustments and capital allocation.

The responsibility for setting thresholds for KRIs should rest with the bank’s operational risk management team, and the established KRIs should then be ratified and formally incorporated in the management performance assessment process.

The process of identifying KRIs can proceed largely simultaneously with the underlying risk identification, since the identification process naturally dovetails with thinking through the potential risk mitigation actions and how these can be measured.

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