

# Automated operational risk analysis, measurement, monitoring and reporting enabling Basel II compliance for capital computation



## Client

- The oldest Sharia'a compliant bank in the Middle East providing innovative solutions covering corporate finance, real estate, project finance, trade and commodity finance and international banking services

## Need

- Achieve BASEL II compliance for defining, measuring and monitoring operational risks across the enterprise
- Deploy systems and processes to proactively identify, assess, mitigate, monitor and report significant risks in various business lines
- Implement a solution to record mitigating action plans for identified risks, assign the task to an owner, set resolution dates and highlight overdue tasks
- Create automated reporting schedules for incidents leading to operational loss
- Identify, define and allocate various roles and responsibilities to manage operational risk

## Approach

- Define, measure and monitor operational risk, create mitigating actions, assign ownership and report loss data events for various operational activities

## Results

- Identify, measure, monitor, control and report operational risk events
- Enable BASEL II compliance for capital computation on operational risk
- Quick implementation of mitigation plans owing to standard library of KRIs
- Pre-configured and readily available regulatory and compliance reporting

## Parameter and template driven solution to define, measure and monitor enterprise-wide risk and its mitigating actions enabling BASEL II compliance

D&B ORA, the BASEL II compliant Operational Risk Analyzer solution, offers an exhaustive list of modules covering all aspects of Operational Risk management. These modules were deployed to address the client's primary business needs and facilitate a move towards BASEL II compliance.

### D&B's ORA: BASEL II compliant solution to monitor and mitigate operational risk

The different modules deployed as part of the solution included:

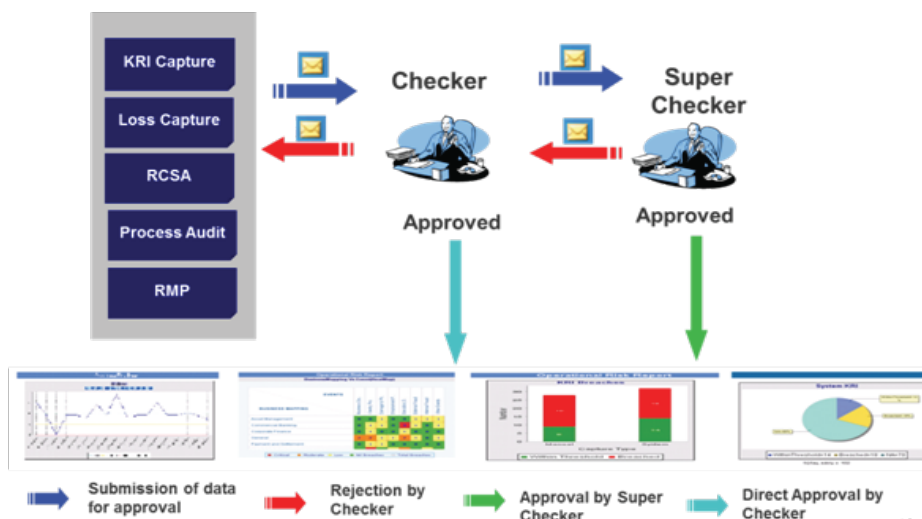
**Risk framework mapping:** This module helped define and maintain a BASEL recommended process hierarchy for business lines, segment and create activities and processes for various business groups, and map these activities to organizational hierarchy.

**RCSA:** The Risk and Control Self-Assessment (RCSA) module enabled the client to identify risk, assess the frequency, perform control testing, profile the risk, create mitigation plans and monitor the same for closure.

**KRI library:** D&B provided key risk indicators to proactively address various risks associated with operations of various business units and branches. This allowed the client to map these pre-defined KRIs to their various business units and create corresponding mitigation plans.

**Risk mitigation:** This module allowed creation of mitigation activities, identify individuals responsible for the task, set resolution dates and monitor the resolution status for each defined KRI.

**Loss event capture:** The loss event capture module helped define and allocate costs to various loss events, quantitative or qualitative and allow reporting of incidents to various governing authorities.



## Customized risk analysis solution for efficient capital computation and compliance reporting

The D&B solution helped in easy identification, monitoring and control of operational risks across various departments and business units and reported incidents leading to associated losses in a timely manner. A standard KRI library enabled the client to implement mitigation plans quickly. The solution facilitated efficient capital computation on operational risk and helped the client move towards BASEL II compliance.