

# Implementation of Operational Risk Framework

## The Assignment

The client, a mid-sized bank in Saudi Arabia, retained our services for the establishment of an operational risk management framework.

## Our Solution

Our mandate was to establish an operational risk management process that would result in identification analysis, monitoring, mitigation of operational risk at business level and also establish an analysis and reporting line to senior management so that they have adequate knowledge of the current operational risk profile.

Implementation of the operational risk framework entailed the following:

**Formulation of Management policies including** Operational Risk Management Policy, Risk & Control Self-Assessment Policy, Training & Communication Strategy, Outsourcing Policy, Business Continuity policy, disaster management policy, System security Policy, New activities & product policy,

**Definition of Governance structure** with defined roles for Board of directors, Senior Management Committee, Chief Risk Officer, Risk Management committee, operational risk management department, Business Unit Head, Business Unit Controller, Financial Planning & Control, Compliance and Internal Audit

**Definition** of risk Entities, operational risk classes, categorization logic of events, operational risk management cycle, culture profile & Self risk assessment, risk Issue assessments, risk status and action plans.

**Strategic risk diagnostic exercise** to confirm business objectives, assess significance and certainty of business objectives, identify risks which threaten achievement of business objectives, identification of most risky areas of business by geography, line of business and processes.

## Takeaways for the Client

- Firm-wide definition of how operational risk is to be identified, assessed, monitored and controlled/ mitigated
- Appropriate definition of operational risk that clearly articulated what constitutes operational risk in the bank
- Bank's risk appetite and tolerance for operational risk
- Outlines for bank's approach to identifying, assessing, monitoring and controlling/mitigating risk.
- Risk RCSA policy for describing business activities, processes, risks and controls, monitoring and testing the controls, assessing the control and reporting results of monitoring and assessment activities.

### ASSIGNMENT DETAILS

- ▲ SECTOR  
BANKING
- ▲ DOMAIN  
RISK MANAGEMENT
- ▲ GEOGRAPHY  
MENA
- ▲ PROJECT DURATION  
12 Months