

Operational risks - practical solutions

General business parameters

The management of operational risks is rapidly gaining in importance. Spectacular loss situations (Enron, Barings, Allied Irish Banks, "11. September", etc.) reiterate ever more clearly the necessity of pro-active management of these risks. Furthermore, through increasing globalisation and advancing technologies as well as new lines of business, additional and novel operational risks are created which must also be managed.

Financial environment

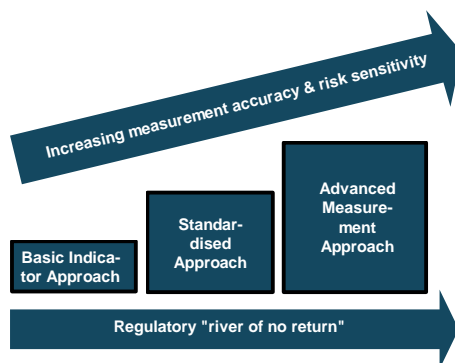
Bank regulators and the 2. Basel Consultative Paper (Basel II) have already elevated the importance of operational risks by requiring a capital allocation as of 2007.

Often overlooked in the Basel II discourse, however, is that a structured evaluation of operational risks inherently advances the efficient use of capital and thereby improves competitiveness and finally also shareholder value.

Basel II establishes broad qualitative und quantitative standards

Basel II sets the qualitative standards for management of operational risks at a similarly high level to that which is already in effect for market risks.

In establishing quantitative standards for operational risks, Basel II allows the use of diverse techniques, including mathematical-statistical methods.



The fundamental approach is:

- Increasing complexity, risk sensitivity
- Increasing qualitative standards

- Increasing preference by regulators (more test intensive)

but also:

- Increasing equity capital savings

Data as a main challenge

Operational risks are frequently not directly attainable nor measurable and thus dependent on subjective assessment. The main challenge lies in ascertaining the exact and correct data respectively data sources, along with assembling a data history.

Best practice instruments

In the market, three best practice instruments have gained recognition for use in the identification of operational risks: **Self-Assessment**, the **Loss Database** and **Indicators**.

Your goals

- Are you seeking a **future-oriented solution without high investment cost**, perhaps even a **standard solution**?
- Is a **generic** solution preferred?
- Are **technical flexibility** and implementation with low programming costs a must?
- Is a **high level of security** in processing sensitive data a knock out criteria?

Our Recommendation: VOEB-ORC

The project group "Measurement & Management of Operational Risk" of the VOEB - Federal Association of German Banks as technical development team has, in concert with *interexa* AG, developed the software ORC (Operational Risk Center) for control of operational risks. *VOEB-ORC* already has a number of reference installations and is well underway to becoming the standard solution in Europe.

Feel free to contact us. We would be pleased to support you.

Benefit from **cost and time advantages!**

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Modular design

The solution *VOEB-ORC* has a modular design comprised of:

- *ORC-RE* (Risk Events): flexible database as a collection of loss history
- *ORC-RP* (Risk Profile): structured compilation of expert estimates for the qualitative assessment of risk situations
- *ORC-RC* (Risk Checkpoints): Question-based Self-Assessment
- *ORC-RI* (Risk Indicators): A set of measurable indicators as an early warning system
- *ORC-RA* (Risk Analysis): Reporting

Future development anticipates the following modules:

- *ORC-RS* (Risk Simulation, VaR calculation) and
- *ORC-RT* (Risk Transfer by insurance)

Benefits of using *VOEB-ORC*

- A professional solution for “banks by banks” with an expanding user circle
- A generic solution for data structure, user interface, evaluation options, and process rules
- Enhanced data protection via a flexible, role-based concept for authorization
- Implementation of client-tailored control philosophies through open concept
- High user-friendliness with multi-language capability
- Assured product development and service, including involvement of *VOEB*
- High technical flexibility, with client-specific adjustments readily feasible
- Platform-independent use on Windows, Unix, Linux or server systems such as Solaris, AIX, etc.
- Support of important database systems such as DB2, Oracle, Sybase, MS-SQL-Server, etc.
- Various data import/export interfaces (XML, Excel, etc.)
- Flexible choice of browsers (Internet Explorer, Netscape, etc.)
- ...

Support in development of an ORMS

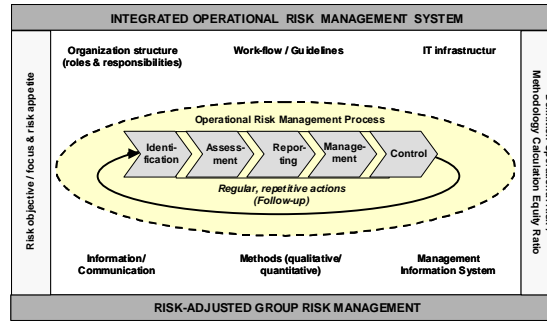


Fig. ORMS (Operational Risk Management System)

We provide support in:

- Conceptualisation of an ORMS (professional, technical)
- Introduction of an ORMS
- Reengineering of processes
- Creation of documentation (Operational Risk Guidelines, etc.)
- Applying our statistical / mathematical know-how (VaR, capital allocation)
- Project and change management
- Management of your Operational Risks (e.g. Business Continuity Planning)

Are you already using a method and / or technical solution?

Then we are your partner for

- Implementation of your business-specific authorization concepts
- Customisations per your requirements (such as modifications to fields, processing rules and scorings)
- Assistance in professional or technical rollouts, including workshops and courses

Our experts with demonstrated experience and excellent specialized knowledge are well equipped to assist you. And all this at a highly competitive cost / benefit ratio!

Please feel free to contact us. We shall gladly provide further details.

YOU CAN'T STAY AHEAD BY STANDING STILL.

Acrys Consult is your competent business and IT-consultancy.

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