Operational Risk Management for Basel II

Discover why 50,000 professionals have switched to easy2comply™
Presentation Objective

- Provide an overview of our Basel II building blocks
- Offer insight into the look and feel of the application
- Showcase how you can easily use our software
Who Is it for?

- Our Basel II software has been designed with the needs of the Basel II Manager in mind and can be used by:
  - Basel II Manager
  - Operation Risk Committee
  - Line Managers

- No project is too big or too small
  - It can be used by small groups (1 – 5 users)
    all the way up to the whole enterprise
    (10,000 users)

- Implementing our software has never been easier!
Operational Risk Management

Organizational Structure

Risk and Control
Self Assessment

Loss Data

Tasks, Notifications and Messages

Reports and Management Dashboards
Organizational Structure

This is where you define your organizational structure. Our software combines a dual hierarchy: one for your business units, departments and locations, and one for your operational processes and activities.

You can also look at your business horizontally across the enterprise. This feature allows you to drag and drop parts of your business into simple structures to ease reporting and comparative analysis.
Organizational Structure

Each Unit can be documented in terms of Owner, Type, Risk Profile and Attachments.

Structure can be built with no limitation to the number of levels.
Process Structure

- Process is documented in terms of Risks / Controls, General Information, Risk Profile and Attachments.
- Structure can be built with no limitation to the number of levels.
Process Documentation can also be added as an attachment (Word, Visio, etc.)
Risk and Control Assessment

Organizational Structure

Risk and Control Self Assessment

Identify your Risks within the business unit, department or process.
Document, categorize and classify the risks according to your own criteria.
Attach any supporting evidence to the risk record.

Assess your Risks using one or more of the available methodologies:
1. Impact vs. Likelihood Risk Square
2. Monte Carlo Simulation
3. Questionnaire / Balanced Scorecard

Control your Risks by linking the relevant controls to the specific risks and determining the residual risk level.
Check the controls for their level of effectiveness.
Schedule the control checking process.
Risk Assessment

- Identify
  - Risks
  - Description
  - Categories
  - Documentation

- Assess
  - Impact
  - Likelihood
  - Risk Score

- Control
  - Control Mapping
  - Control Checking
  - Residual Risk Score
Identify and document all of the relevant risks
Risk Assessment

Assessment performed according to a 5 x 5 matrix generating a Risk Score

[Diagram of a risk assessment tool with highlighted risk score]
### Risk Assessment

#### Quantitative Assessment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual frequency</td>
<td>1</td>
</tr>
<tr>
<td>Expected impact</td>
<td>$5,000</td>
</tr>
<tr>
<td>Worst case impact</td>
<td>$50,000</td>
</tr>
<tr>
<td>Annual expected impact</td>
<td>$6,749.86</td>
</tr>
<tr>
<td>Annual unexpected impact</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

- Single frequency parameter
- Two severity parameters
- Monte Carlo simulation
- Annual expected impact
- Annual unexpected impact
Control Mapping

Here you can see the risk...

...together with the associated set of controls mapped to the risk.
Controls can be fully documented and tested as needed.
Capture your Loss Data and Event Data across your Organization

Assess the impact of the Loss or Event and link each impact to your Risk and Control map

Respond effectively to each event, draw relevant conclusions and allocate Actions accordingly
Incident Management

- What
- When
- Where

- Multiple impact
- Total cost
- Indirect impact

- How we can improve
- Controls
All incidents and events can be recorded in the database and allocated to the point in the organization where the incident has impacted.
### Incident Costs

#### Itemized costs

<table>
<thead>
<tr>
<th>Risk Tier</th>
<th>Risk Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TKR accounts with other depositor</td>
<td>$5,000</td>
</tr>
<tr>
<td></td>
<td>TKR unauthorized and fraudulent transactions</td>
<td>$15,000</td>
</tr>
<tr>
<td></td>
<td>TKR investment value improper</td>
<td>$5,000</td>
</tr>
<tr>
<td></td>
<td>TKR unauthorized transactions may p</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

**Total Loss:** $28,000

#### Total financial impact
Drawing Conclusions

Conclusions

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Need to ensure that the team has better training on dealing with exceptions.</td>
</tr>
<tr>
<td>2</td>
<td>Employees that are working long hours are more likely to make errors.</td>
</tr>
</tbody>
</table>

Recommendations

<table>
<thead>
<tr>
<th>Number</th>
<th>Owner</th>
<th>Description</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HR</td>
<td>Would like to ask that HR reviews the training</td>
<td>3 - Urgent</td>
</tr>
<tr>
<td>2</td>
<td>HR</td>
<td>Controlling the number of hours</td>
<td>1 - High</td>
</tr>
</tbody>
</table>

Page: 1 Of 1 Total Found: 2
Tasks, Notifications and Messages

Create and follow up on Actions:
1. Link Actions to your Control
2. Each Action has an Owner and a Due Date for follow up
3. New Messaging feature

Define your own Alerts (for example):
1. Missed Due Dates
2. Approaching Control tests
3. Changes to the Risk Assessment
4. Changes to your data

Notifications are sent directly to your email inbox with a link taking you to the software
All Actions and Tasks are listed under the Organization’s Action Plan. Actions are listed according to status, owner and due date.

An individual action can contain multiple sub-tasks, each allocated to a different owner with a different due date.
Notifications and Messages

These notifications are delivered directly into the user’s email.

Software comes with the ability to generate reminders, alerts and notifications regarding Action Plan due dates and scheduled control tests.
Reports and Dashboards

Built-in Reports are pre-defined report templates that can be generated and exported to multiple file formats.

Management Dashboards are colorful and interactive charts generated by our powerful charting engine.

Excel Reports are templates created by the User that define precisely the data wanted to be seen.

Reports and Management Dashboards
# Built-in Reports

## Deficiency Matrix

### Treasury and Investments

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Risk</th>
<th>Display Control Id</th>
<th>Control</th>
<th>Control Activity In Place</th>
<th>Recommendation</th>
<th>Findings</th>
<th>Test Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segregation of Duties</td>
<td>T1:</td>
<td>1</td>
<td>Check that the relevant functions are segregated.</td>
<td></td>
<td></td>
<td>Finding</td>
<td></td>
</tr>
<tr>
<td>Master File Maintenance</td>
<td>T1:</td>
<td>5</td>
<td>Edits and validation procedures prevent invalid data from entering the system.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master File Maintenance</td>
<td>T1:</td>
<td>6</td>
<td>System reports of changes to master files are independently verified to the source documents.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Report Templates

User defines the data wanting to be displayed in the report
Dashboards
Operational Risk Management

Organizational Structure

Risk and Control
Self Assessment

Loss Data

Tasks, Notifications and Messages

Reports and Management Dashboards
Thank you

For more information, please contact:

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