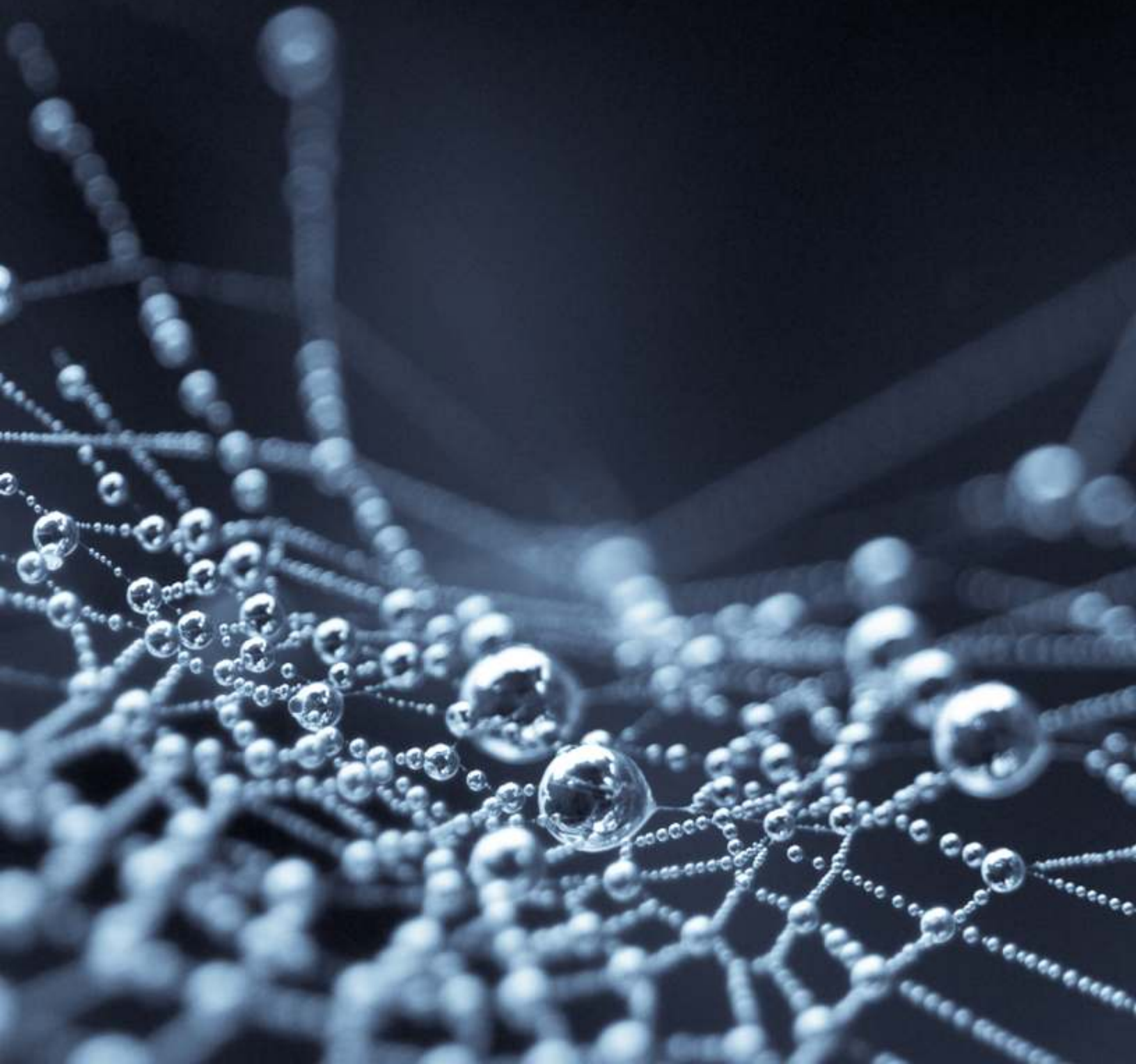


Operational Risk Implementation and Pillar I compliance





The Client

One of the largest subsidiary of an International Bank in GCC.

Scope and Approach

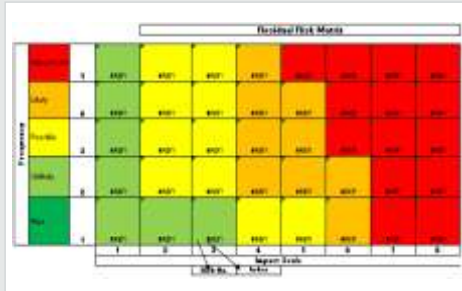
The client intended to develop and implement a best in class operational risk framework and required Aptivaa to Develop Operational Risk related policies and procedures such as Master Operational Risk Policy, RCSA policy, Loss Data Management Policy, Outsourcing policy and Operational Risk Monitoring, Mitigating and Reporting procedure, Develop Strategic Diagnostic Study (Top Down RCSA) and RCSA (Bottom up) Framework, Develop Loss data Management Framework and procedure, Develop capital calculation framework under Standardized Approach, Analyse gap for both Standardised & Advanced Measurement Approach and Develop detailed implementation plan for achieving compliance with Pillar I requirements.

Results

- + Compliance with Pillar I requirement
- + Roll out of ORM Framework
- + Capital calculation as per Standardized approach

Deliverables

- + Present gap report to bank
- + Prepare implementation road map for AMA
- + Create operational risk related policy and procedure
- + Implementation of Strategic Diagnostic Study Framework across the Bank.
- + Implementation of RCSA Framework in 25 RCSA entities out of total 67 entities identified.
- + Capital calculation as per Standardized approach



Entity Health Index

| Entity | Risk Index | Health Index | Category |
|----------|------------|--------------|-----------------|
| Entity 1 | 22% | 78% | Well Controlled |

| No. of Risks | Well Controlled H<=75% | Adequately Controlled 75%<H<=90% | Risks Improvement 90%<H<=95% | Un-satisfactory H>95% |
|--------------|---------------------------|--|------------------------------------|--------------------------|
| 48 | 71% | 27% | 2% | 0% |

| | q=99.9% | 99% | | |
|----------|-----------------------------|---------------|-------|------|
| Impact 1 | 0 to 40000 | 50,000.00 | 10.13 | 0.42 |
| Impact 2 | 50000 to 500000 | 590,000.00 | 10.20 | 0.70 |
| Impact 3 | 500000 to 3000000 | 1,090,000.00 | 13.47 | 0.71 |
| Impact 4 | 3000000 to 5000000 | 3,090,000.00 | 14.60 | 0.43 |
| Impact 5 | 5000000 to 10000000 | 8,090,000.00 | 15.71 | 0.21 |
| Impact 6 | 10000000 to 25,000,000.00 | 18,190,000.00 | 16.19 | 0.28 |
| Impact 7 | 25,000,000 to 50,000,000.00 | 33,290,000.00 | 17.36 | 0.23 |
| Impact 8 | >50,000,000 | 60,000,000.00 | 18.28 | 0.33 |

| Frequency | Freq-1 Once in 3 years or (Annual) | Freq-2 Spontaneous Once in a year or (Annual) | Freq-3 Possible Twice in a year (Annual) | Freq-4 Unlikely Once in a quarter (Annual) | Freq-5 Almost Certain Once in a month (Annual) |
|-----------|---|---|--|--|--|
| (Annual) | 0.33333333 | 1 | 2 | 4 | 12 |

| Annual VaR(99.9%) Approximation for computing Health Index | | | | | |
|--|------------|-------------|-------------|-------------|--------------|
| Impact | 1 | 2 | 3 | 4 | 5 |
| 1 | 81.68 | 919.8 | 47.25 | 190.24 | 442.74 |
| 2 | 347.352 | 1,295.698 | 1,794.847 | 2,445.362 | 4,435.328 |
| 3 | 779.828 | 1,556.808 | 2,074.096 | 2,646.228 | 4,565.878 |
| 4 | 6,898.282 | 8,960.808 | 11,785.854 | 19,626.789 | 41,029.747 |
| 5 | 7,796.246 | 13,560.863 | 21,274.363 | 26,410.282 | 35,859.704 |
| 6 | 21,012.521 | 27,262.85 | 55,074.268 | 80,599.89 | 125,905.628 |
| 7 | 26,261.228 | 42,980.717 | 88,071.807 | 112,046.917 | 175,732.821 |
| 8 | 85,751.176 | 243,084.271 | 354,447.852 | 551,626.777 | 1,18,729.627 |

$$VaR(\alpha) = F^{-1} \left(1 - \frac{1-\alpha}{\lambda} \right) + \mu(\lambda - 1) \quad \text{Where } \mu = \text{Expected Severity}$$

About Us

Aptivaa is a dedicated risk and compliance consulting firm delivering risk management solutions to the financial services industry.

We offer risk consulting, solutions and analytical services to banks, insurers, as well as asset management and other financial services companies. Our domain expertise covers risk and compliance across credit risk, market risk and operational risk.

