

Operational risk self-assessment template

The applicant bank is required to complete a self-assessment as outlined in this paper, according to the following criteria:	
Criteria Rating	Description
Compliant	All "essential" criteria are met without any significant deficiencies in all operations
Largely compliant	Minor shortcomings, but not sufficient enough to raise doubts about the institution's ability to achieve the objective
Materially non-compliant	Shortcoming is sufficient to raise doubts about the institution's ability to achieve compliance
Non-compliant	No substantive progress towards compliance has been achieved
Not applicable	Deemed not to have relevance

Risk Management - Operational Risk

* **Rating Rationale** - Provides justification, explanation, meaning and context and plays an important part in understanding the reasons or principles employed in arriving at the 'Criteria Rating' assigned. Detailed explanations are therefore required in terms of what the bank does in practice. Examples can also be included. Moreover, be reminded that evidence should be collected and maintained.

^ **Action Plans** - It is recommended that SMART (Specific, Measurable, Attainable, Realistic, Timely) principles are applied when setting action plans. Detailed explanations are therefore required in terms of the steps / actions the bank will be taking to attain the 'Compliant' 'Criteria Rating' status. If 'Compliant' has been selected, then the column can be left blank and / or details can be provided in terms of any maintenance or enhancements planned.

A. OPERATIONAL RISK GOVERNANCE

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans
Board of Directors							
1. Board of Director approvals	Reg 33 (8)(b)(i)(A)	1.1	The board of directors are actively involved in the oversight of the operational risk management framework.	(a) Frequency of Board review of firm-wide framework to operational risk management.			
2. Operational risk strategy	Reg 33 (8)(b)(i)(B)	2.1	The bank has an operational risk management system that is conceptually sound and is implemented with integrity.	None			
Operational Risk Management Function							
4. Operational risk management function	Reg 33 (8)(b)(ii)(A)	4.1	The bank has an operational risk management system with clear responsibilities assigned to an operational risk management function.	None			
		4.2	The operational risk management function develops strategies to identify, assess, monitor and control/mitigate operational risk.	None			
		4.3	The operational risk management function develops comprehensive policies and procedures concerning operational risk management and controls.	None			
		4.4	The operational risk management function designs and implements a methodology to comprehensively assess the bank's exposure to operational risk.	None			
		4.5	The operational risk management function designs and implements the risk-reporting system for operational risk.	None			
Risk Management - Operational Risk							
5. Operational Risk control and mitigation	Reg 33 (8)(b)(ii)(D) and (E)	5.1	The bank has an operational risk management system that is well documented.	None			
		5.2	The bank has a routine in place for ensuring compliance with a documented set of internal policies, controls and procedures concerning the operational risk management system, which includes policies for the treatment of non-compliance issues.	(a) Describe how the bank ensures compliance with its internal policies, controls and procedures for operational risk.			
6. Staffing	Reg 33 (8)(b)(i)(C)	6.1	The bank has sufficient resources in the major business lines to implement the adopted approach to operational risk, including control and audit areas.	None			
Internal Audit Function							
7. Internal audit coverage	Reg 33 (8)(b)(ii)(F)	7.1	The bank's operational risk management processes and assessment system are subject to validation and regular independent review (these reviews include the activities of both the business units and of the operational risk management function).	(a) Describe the responsibilities of the audit function with respect to operational risk.			

A. OPERATIONAL RISK GOVERNANCE

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans
Operational Risk Reporting							
8. Regular and effective monitoring of operational risk profile	Reg 33 (8)(b)(ii)(C) and (E)(i)	8.1	The bank has regular reporting of operational risk exposures, including material operational losses, to business unit management, senior management, and to the board of directors.	(a) Identify operational risk reporting activities directed at senior management and the board of directors and indicate the frequency.			
		8.2	The bank has procedures for taking appropriate action according to the information within the management reports.	(a) Describe how the bank uses the information within operational risk management reports.			

B. GROSS INCOME MAPPING

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans
1. Gross income mapping policies and documentation	Reg 33 (8)(b)(i)(D)	1.1	Specific policies and documentation of criteria have been developed for mapping gross income for current business lines and activities into the standardised framework.	(a) Provide all policies and documentation of criteria developed for mapping gross income.			
		1.2	Criteria must be reviewed and adjusted for new or changing business activities as appropriate.	None			
2. Principles of business line mapping	Reg 33 (8)(d)(ii)	2.1	All activities are mapped into one of the eight business lines in a mutually exclusive and jointly exhaustive manner.	(a) Identify if all activities have been mapped into the eight level 1 business lines in a mutually exclusive and jointly exhaustive manner.			
				(b) Identify any existing gaps and the action plans to close them.			
	Reg 33 (8)(d)(ii)(B)	2.2	Any banking/non-banking activity that cannot be readily mapped into the business line framework, but which represents an ancillary function to an activity included in the framework, are allocated to the business line it supports.	None			
		2.3	If more than one business line is supported through the ancillary activity, an objective mapping criteria is used.	(a) If appropriate, describe the objective mapping criteria being used.			
	Reg 33 (8)(d)(ii)(C)	2.4	If an activity cannot be mapped into a particular business line then the business line yielding the highest charge is used. The same business line equally applies to any associated ancillary activity.	(a) Identify any activities that could not be mapped into a particular business line and provide the charge used.			
	Reg 33 (8)(d)(iii)	2.5	Internal pricing methods are used to allocate gross income between business lines provided that total gross income for the bank still equals the sum of gross income for the eight business lines.	(a) Discuss the pricing methods used to allocate gross income.			
	Reg 33 (8)(d)(ii)(A)	2.6	Mapping activities into business lines for operational risk capital purposes are consistent with the definitions of business lines used for regulatory capital calculations in other risk categories. Any deviations must be clearly motivated and documented.	(a) Identify any activities that are inconsistent with Basel business line definitions.			
				(b) Identify motivations for any existing deviations.			
	Reg 33 (8)(d)(iv)	2.7	The mapping process is clearly documented. More specifically, business line definitions are sufficiently documented to allow for business line mapping replication.	(a) Identify documentation for mapping process and assess its allowance for business line mapping replication.			
		2.8	Documentation clearly motivate any exceptions or overrides and be kept on record.	(a) Identify how documentation addresses exceptions and overrides.			
	Reg 33 (8)(d)(v)	2.9	Processes are in place to define the mapping of any new activities or products.	(a) Identify processes in place to define the mapping of any new activities or products.			
Reg 33 (8)(d)(i)	2.10	Senior management is responsible for the mapping policy.	(a) Identify who is responsible for the mapping policy.				
			(b) Identify the format in which the mapping policy has been presented and approved by the Board				
Reg 33 (8)(d)(vi)	2.11	The mapping process to business lines is subject to independent review.	(a) Identify if the mapping process has been subject to independent review (and by whom). If independent review has not taken place, identify future plans to do so.				

C. LOSS DATA COLLECTION

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans												
1. Bank's internal operational risk assessment system using operational loss data	Reg 33 (8)(b)(ii)(B)	1.1	The bank has a systematic tracking of relevant operational risk data including material losses by business line.	(a) Provide details on the operational loss data collection process (centralized vs. decentralized).															
				(b) List the source systems used and provide detail on how they are used in the loss collection process.															
				(c) Identify the function responsible for the data collection.															
				(d) List the criteria for collection of operational losses.															
				(e) Identify the status of data collection on an enterprise wide level.															
				(f) Provide the historical length of operational loss data.															
				(g) Identify how the bank ensures that data is collected in a complete and consistent manner.															
				(h) Identify whether operational losses are mapped to Basel II lines of business and event types.															
				(i) List the data fields populated in the collection of loss data.															
				(j) Describe how the bank distinguishes credit and market risk losses that are a result of operational events.															
1.2			There is close integration of the operational risk assessment system into the risk management process of the bank.	(a) Explain how the bank uses the operational risk assessment system in its risk management process.															
				1.3					Output is an integral part of the process of monitoring controlling the banks operational risk profile.	(a) Describe how the bank uses operational risk data (including loss data) to monitor the banks operational risk profile.									
										1.4					Operational risk data (including loss data) has a role in risk reporting, management reporting, and risk analysis.	(a) List all reports using operational risk data (including loss data), identifying how the reports are distributed.			
																1.5			
2. Regular reporting of operational risk exposures	Reg 33 (8)(b)(ii)(C) and (E)	2.1	There is regular reporting of operational risk exposures, including material operational losses, to business unit management, senior management, and to the board of directors.	(a) List all reports that include operational risk exposures (including material losses), identifying frequency, owners of report and audience of the report.															
				2.2					There are procedures for taking appropriate action according to the information within the management reports.	(a) Describe how the operational risk exposure reports are used to respond to operational risk and the management of the risk.									

D. RISK AND CONTROL SELF-ASSESSMENT / KEY RISK INDICATORS

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans
1. Reporting	n/a	1.1	Operational risk results from risk assessment tools are reported and used in the management of operational risk.	(a) List all reports of risk assessment tools and indicate how they are used.			
		1.2	There is appropriate reporting of results from risk assessments tools to the Board, senior management and business units.	None			

E. Advanced Measurement Approach Methodology

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans	
1. AMA Model	Reg 33 (9)(d)(iii)(B)	1.1	The bank's AMA model captures potentially severe tail loss estimates.	(a) Provide a description of assumptions and inputs used to construct the model.				
		1.2	The bank's AMA model is comparable to a one year holding period and a 99.9 percentile confidence interval.	None				
	Reg 33 (9)(e)(i)	1.3	The bank is calculating the operational risk regulatory capital requirement as the sum of expected loss and unexpected loss.	None				
		1.4	The bank is adequately capturing EL in its internal business practices.	(a) Provide the bank's documentation on how operational risk EL is measured and accounted for.				
	Reg 33 (9)(d)(iii)(B)	1.5	The bank's AMA model captures the major drivers of the operational risk affecting the shape of the tail loss estimates.	None				
2. Correlation	Reg 33 (9)(d)(ii)	2.1	Internally determined correlations are used in operational risk modelling. The bank can demonstrate that its systems for determining correlations are sound and implemented with integrity and take into account the uncertainty surrounding any such correlation estimates (particularly in periods of stress).	(a) Provide details on how correlation is integrated into the model and the rationale for its use in calculating the capital requirement.				
				(b) For internally determined correlations, identify the assumptions used and discuss the methods used for estimating correlation.				
	Reg 33 (9)(e)(ii)(B)	2.2	The bank validates its correlation assumptions using appropriate quantitative and qualitative techniques.	(a) Identify how the bank is validating its correlation assumptions.				
3. Four fundamental elements: - Internal data - External data - Scenario analysis - Business environment and internal controls	Reg 33 (9)(d)(iii)(B)(vii)	3.1	Key elements of the bank's operational risk measurement system include the use of internal data, relevant external data, scenario analysis and factors reflecting the business environment and internal control system.	(a) Provide a brief summary of how these 4 elements are used in the operational risk measurement system.				
		Reg 33 (9)(d)(iii)(A) and (B)(vi)	3.2	Weighting of the 4 fundamental elements is credible, transparent, well-documented and verifiable approach.	(a) Provide documentation and rationale for the approach taken in weighting of each fundamental element.			
			3.3	The approach for weighting the 4 fundamental elements is internally consistent.	None			
			3.4	Double counting of qualitative assessments or risk mitigants already recognised in other elements of the framework is avoided in the approach for weighting the 4 fundamental elements.	None			
4. Internal Data	Reg 33 (9)(d)(v)(C)	4.1	The bank has documented procedures for assessing the historical internal loss data for its relevance and use in the operational risk measurement system.	(a) Provide the documented procedures.				
	Reg 33 (9)(d)(v)(D)	4.2	The bank is using at least 3 years of historical internal loss data if internal loss data is being used to either build or validate the operational risk measurement system.	None				
	Reg 33 (9)(d)(v)(B)	4.3	The bank has documented its criteria for mapping historical internal loss data to Basel business lines and event types.	(a) Provide the documented criteria.				
		4.4	The internal loss data is comprehensive and captures appropriate sub-systems and geographic locations.	(a) Provide rationale for excluding loss activities and exposures, if any, from the loss collection process.				
		4.5	The bank has an appropriate gross loss threshold for internal loss data collection.	None				
		4.6	The bank has specific criteria for allocating operational losses that span across business lines or occur in a centralized function.	(a) Provide the specific criteria.				
		4.7	All material operational losses related to the definition of operational risk are identified in the loss data collection.	(a) Identify the bank's approach to collecting operational losses related to credit and market risk.				

E. Advanced Measurement Approach Methodology

Area of Assessment	Reference	#	Criteria	Information Request	Assessment Rating	Rating Rationale	Action Plans
5. External Data	Reg 33 (9)(d)(vi)	5.1	The bank's system uses relevant external loss data in its operational risk measurement system.	(a) Identify the sources of external loss data used in the bank's operational risk measurement system.			
		5.2	The bank has a systematic process for determining how and when external loss data is used in its operational risk measurement system.	None			
		5.3	The conditions and practices for using external loss data are regularly reviewed, documented and subject to periodic independent review.	(a) Provide the documentation discussing the conditions and practices for using external loss data.			
6. Scenario Analysis	Reg 33 (9)(d)(vii)	6.1	The bank uses scenario analysis of expert opinion in conjunction with external data to evaluate its exposure to high-severity events.	(a) Describe how scenario analysis is used in the operational risk measurement system.			
7. Business Environment and Internal Control Factors	Reg 33 (9)(d)(viii)	7.1	Factors used in the operational risk measurement system are meaningful risk drivers and were chosen based on experience and expert judgement.	(a) Identify the rationale used for choosing business environment and internal control factors and provide a brief description of how they are used. (b) Indicate if factors are translatable into quantitative measures.			
		7.2	The framework and each instance of its application must be documented and subject to independent review.	None			
8. Risk Mitigation	Reg 33 (9)(f)(vii)	8.1	The recognition of insurance mitigation is less than 20% of the total operational risk regulatory capital charge.	(a) Provide the documented framework developed for mitigating operational risk through the use of insurance.			
	Reg 33 (9)(f)	8.2	The insurance provider has a minimum claims paying ability rating of A.	None			
		8.3	The insurance policy has an initial term of no less than one year.	None			
		8.4	The insurance policy has a minimum notice period for cancellation of 90 days.	None			
		8.5	The insurance policy has no exclusions or limitations triggered by supervisory actions.	None			
		8.6	The risk mitigation calculations reflect the insurance coverage.	None			
		8.7	The insurance is provided by a third-party entity.	None			
		8.8	The bank discloses a description of its use of insurance for the purpose of mitigating operational risk.	(a) Indicate how the bank plans to disclose information about the use of insurance.			
9. Allocation Methodology	Reg 33 (9)(c)	9.1	The bank intends, with supervisory approval, to use an allocation mechanism for the purpose of determining the operational risk capital requirement for its subsidiaries.	(a) For banks applying the stand-alone approach, indicate if it is applying a capital allocation methodology for its subsidiaries and provide details on the allocation methodology used. (b) For subsidiaries using the allocated capital approach, provide a description of the methodology used for capital allocation and the rationale for applying an allocation approach versus a stand alone approach.			
10. Partial Use	Reg 33 (5)	10.1	All operational risks of the bank's global, consolidated operations are captured.	None			
			AMA qualitative criteria are met for areas of the bank covered by the AMA, and those parts of the operations covered by one of the simpler approaches meets the qualifying criteria for that approach.	None			
		On the date of implementation of an AMA, a significant part of the bank's operational risks are captured by the AMA.	None				