



# Managing Operational Risk Changes in the Contemporary Business

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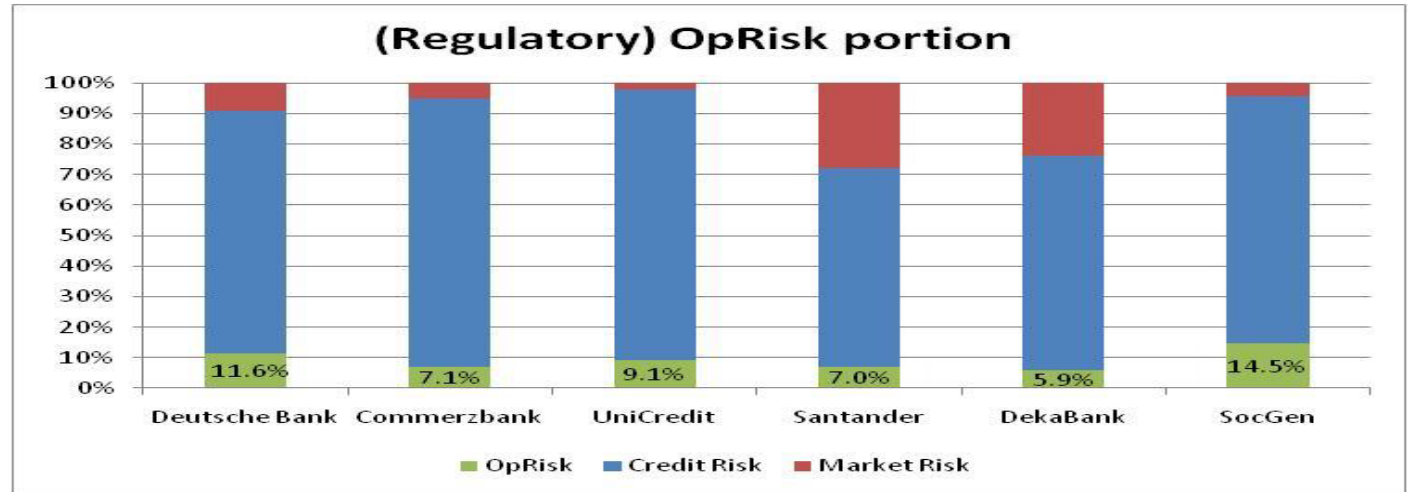
# What is Operational Risk (OR)?



Risks associated with operational failures stemming from events such as processing errors, internal and external fraud, legal claims, and Business disruptions. Examples of organizations with severe OR events include;



Many financial firms believe that operational risk is not a material risk. This can be seen in the low capital charge allocated to this risk relative to other risks (10% - 20% of total economic/regulatory capital) .



OR is an Enterprise-Wide Risk which permeates all aspects of the risk universe. It overlaps other risks such as

- Market Risk
- Credit Risk
- Liquidity Risk
- Underwriting Risk

# Three Key Areas of Change

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## Client Sophistication & Demands

### Clients Sophistication and Demands

- Demand for more sophisticated financial Services and systems

## Digitization & Innovation

- Online payment Platforms
- Mobile Money Activities – No. of Accounts: 345k (2012); 11.79m(June 2018)
- Unstructured Supplementary Service Data (USSD)
- Termination of inward remittances into mobile wallets and agency banking.
- Cash Deposit Machines (CDM)

## Emergence of Heavy regulations

- Minimum capital requirement
- Electronic Money Issuers (EMI) guidelines and Agent Guidelines (2015)
- Payment Systems and Services Bill (Draft-2017)
- National Strategic Payment Roadmap (2014)

# What is the Way Forward?

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Corporates, Business and Multi-nationals need to adopt very robust and dynamic Operational risk strategies.

These strategies should be proactive rather than reactive.

When Operational Risk management is absent or ineffectively managed in any organisation there is bound to be a disaster.

Below are some of the key controls that can be used.

**01** Periodic checks and monitoring

**02** Well Defined Key Risk Indicators (KRI)

**03** Control Sample Testing

**04** Well defined Lines of defence (LoD)

**05** Risks forums

**06** Daily morning hurdles and risk clinics

**07** Root Cause Analysis and Management Action Plans (MAP)

**08** Ownership of known and unknown risk

# Ownership of Known vs. Unknown Risk



## Emerging Risk

