

Operational Risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes compliance risk but excludes risks resulting from strategic decisions. The risks may realize for instance as a consequence of:

- Internal misconduct
- External misconduct
- Insufficient human resources management
- Insufficiencies in operating policies as far as customers, products or business activities are concerned
- Damage to physical property
- Interruption of activities and system failures
- Defects in the operating process.

Materialized operational risks can cause an immediate negative impact on the financial results due to additional costs or loss of earnings. In the longer term, materialized operational risks can lead to a loss of reputation and, eventually, a loss of customers which endangers the company's ability to conduct business activities in accordance with the strategy.

Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss of reputation resulting from a company's failure to comply with laws, regulations and administrative orders as applicable to its activities. A compliance risk is usually the consequence of internal misconduct and hence it can be seen as a part of operational risk.

Operational Risks

External drivers

Natural disasters, other catastrophic events, epidemics, unauthorized or criminal acts and technological developments

- Competence and integrity of human resources
- Hardware, software and data
- Work process.

Operative processes

High cost or low quality of client services or internal processes resulting from:

- Internal processes are not working as expected.
- Client services are not working as expected.

- Source data integrity
- Calculation procedures
- Reporting procedures
- Access to data and reports.

Data and information

Deficiencies in decision-making and actions and non-compliance in reporting resulting from:

- Inadequate, inaccurate or untimely information and reporting.

- Internal events, accidents, failures, misconduct etc..

Resource damages

Discontinuity of operations resulting from:

- Damage to personnel
- Damage to physical property or locations
- Damage to or loss of data.

Negative impact on financial results arising from immediate costs or loss of earnings and inability to conduct business activities in accordance with strategy due to loss of reputation and customers