

# Index

- A**
- Ad hoc* reporting, rules for 42
  - Advanced measurement approach
    - major qualitative requirements for 21
    - major quantitative requirements for 22
  - Aggregation 111
  - Akaike Information Criterion (AIC) 129
  - Alternative standardised approach (ASA) 18
  - Area responsibility, in managing operational risk 47
  - Assessment, object and scope of 91
- B**
- Basel business lines 74
  - Basel Capital Accord 13
  - Basel Committee on Banking Supervision (BCBS) 11
  - Basel Consultation Paper (1999) 3
  - Basel consultation process, phases of 16
  - Basel event types 19
  - Basel II and CRD, history of development of 13–16
  - Basel, structure of 14
  - Basic indicators approach 139
  - Bayes Information Criterion (BIC) 129
  - BIS
    - (1998) 11, 13
    - (1999) 13
    - (2001a) 13–14
    - (2001b) 14
    - (2003) 11, 20
    - (2004) 16, 19
  - Board of directors, responsible for risk management 64
  - Board report, example of 116
  - Bottom-up approaches 118
  - Brussels Capital Adequacy Directive 13
  - “Business continuity management” 52
  - Business line management, for operational risk management 66
  - Business lines and beta factors 18
- C**
- Capital Asset Pricing Model method 119
  - Capital, quantitative criteria for calculating 20
  - Capital Requirements Directive (CRD) 16, 117
    - approaches to calculating 16
  - “Cells” 121
  - Central operational risk management, role of 55
  - “Central risk control” 55
  - Control quality 100
  - Credit fraud 26
  - Credit risk
    - approach in case of 61
    - overlaps to 26
  - Cross assessment concepts 38

## AN INTRODUCTION TO OPERATIONAL RISK

**D**

Data collection, incentives for 79  
 Delphi method 86  
 "Direct or indirect losses" 69  
 "Disaster recovery" 52

**E**

Early warning systems 106

**EC**

(1993) 13  
 (1999) 13  
 (2004) 16  
 (2006) 16

Economic and regulatory capital  
 117–31

Economical capital 131

Enterprise-wide risk management  
 framework, assessments of 10

Evaluation 101

**Event**

example of 72  
 identification of, in scenario  
 analysis 53

"Expected loss" 69

Expected value, possibility of  
 deviation from 7–8

"External events" 54

External loss data 81

Extreme value theory (EVT) 119

**F**

Framework components,  
 prerequisites for  
 implementation of 144

**Fraud**

credit 26  
 external 19  
 internal 19

**G**

Game-theory approach 156

Global Operational Risk Loss  
 Database (GOLD) 82

Gross income, definition of 17

**H**

Historical simulation method 126

Home-host supervision 23

**I****Indicators**

definition of 52  
 determination of 34  
 fundamental problem with 34  
 on operational risk losses 34

**Information**

collection of 41  
 external recipients of 43–4

Internal audit, tasks of 55, 68

Internal control system and  
 quality management 11

Internal measurement approach  
 (IMA) 15, 18, 118

International Financial Reporting  
 Standards (IFRS) 152

**IT system**

examples of requirements on  
 133  
 fundamental demands on 132

**K**

Key performance indicators (KPIs)  
 107

Key risk indicators (KRIs) 106

**L**

Lognormal distribution 122

Loss, causes of 71

Loss data 74

collection process 75–6  
 coverage of 85  
 historical, for decision making  
 37

internal 75  
 minimum scope of 76  
 and quantification, connection  
 between 80

Loss-distribution approach (LDA)  
 19, 119

**M**

Management information system  
 113–17

aims and reporting process 113

components of 114

roles and responsibilities of 115

technical implementation of 115

- Market risk  
 approach in case of 60–1  
 overlaps to 27
- Markets in Financial Instruments  
 Directive (MiFID) 23
- Markowitz (1952) 5
- Matrix, structural 70
- Modelling process, steps of 123
- Monte Carlo simulation method  
 124, 126
- N**
- Near misses, role in assessment of  
 risk 39
- O**
- Operation risk management, aims  
 of 47–8
- Operational risk  
 basic strategies for managing 49  
 as cause of loss 26  
 in context of risk types 25–9  
 definition of 6, 69  
 steps in process of managing  
 31–57  
 supervisory review for 23
- Operational risk committee, as  
 central coordination 65
- Operational Risk Data eXchange  
 (ORX) 82
- Operational risk management  
 analysis of business drivers  
 for 8  
 application of 55  
 benefits of 4  
 components of 59–136  
 drivers for 3–24  
 levels of 63  
 and outsourcing 51
- Operational risk sound practices,  
 “10 commandments” of 12
- P**
- Poisson distribution 121
- Portfolio theory 4–5
- Price movements, advantageous,  
 on erroneously purchased  
 securities 33
- “Process owner” 92
- Processing costs, example for  
 7
- Prospect theory 155
- Q**
- Quality management databases  
 32
- Quality process, costs of 7
- Quantification approaches,  
 advantages and disadvantages  
 of 119
- Quantification models, overview  
 of 118
- R**
- Rank correlations 129
- Reporting process  
 agencies on 44  
 extent and structure of 41–2  
 frequency of 42  
 roles and responsibilities in  
 42  
 steps in 41
- Reporting system, for risk  
 indicators 112
- Reputational risk, as secondary  
 risk 29
- Restructuring, example of 73
- Risk-adjusted return on capital  
 (RAROC) 28
- “Risk and control assessment”  
 87
- Risk and controls, types of 88
- Risk assessments  
 alternative approaches to  
 aggregation of 98, 106  
 examples of frequency ranges  
 for 99
- Risk culture 80
- Risk-drivers-and-controls  
 approach (RDCA) 119, 126
- “Risk indicator” 34  
 aggregation mechanism for  
 110  
 designing 107
- Risk information technology  
 131–6

## AN INTRODUCTION TO OPERATIONAL RISK

- Risk management
  - in broader sense 60
  - levels of 46
  - in narrower sense 60
- Risk potential, estimates of 38
- Risk-reward management
  - concepts (RAROC) 117
- Risk-reward ratio 5
- "Risk self-assessment" 87
- Risk types
  - aggregation of 28
  - process for segregating 27
  - structural differences between 26
- S**
- Sarbanes–Oxley Act 3, 63
- Scenario analysis 85
  - assessment forms 38
  - valuable information for 78
- Scenario-based approach (ScA) 119, 125
- "Self-assessment" 87
- "Sound Practices" 11
- Special risk management strategies 50
- Standardised approach 139
- Supervisory authorities, role of 12
- Supervisory review process 23
- T**
- t-test 129
- Threshold values
  - definition of 108
  - for risk indicators 109
- Top-down approaches, examples of 118
- U**
- "Unexpected loss" 69
- Utility function 79
- V**
- Valuation, as target performance comparisons 37
- Value-at-risk (VAR) 21
  - calculation of 40
  - determination of 40
- Variance-covariance approach 126
- View
  - organisational 93
  - product 92
- Y**
- Yardstick evaluation 95