

IRELAND – SETTING BEST PRACTICE

***Operational Risk Trends across the Financial Services
Industry
1 March 2007***

Operational Risk

Risk could be defined as any consequence that could stop a business from achieving its corporate objectives. Operational risk includes, but is not limited to:

- Strategic business opportunities
- Financial
- Operational
- Human resources
- Legal
- Compliance
- Health & Safety
- Environmental

Operational Risk

Patrick Neary, Chief Executive, The Financial Regulator spoke at the Regulation 360 Conference, 16 November 2006 where he said:

*“the Financial Regulator expects, from industry, ethical planning and very importantly, a commitment to protect customers. Our approach to regulation should be one that supplements the **internal risk management resources** in the entities we supervise and take account of best practice among **international regulators**”.*

Operational Risk

What do we see as the operational risks and trends across the industry

- **Background**
 - **Growth robust**
 - **Low inflation**
 - **Low volatility**
- **Withstand the impact of a Significant Event?**
- **Increasingly complex**

Event Risks

Priority Risks

- Operational Problems – Settlement
- Cost of Liquidity
 - Corporate solvency
 - Accurate documentation
- Legal problems
- Reinsurance – cover of last resort
- Collateral security

Risk Trends

- Business continuity planning
- Settlement risk in the derivatives market
- Operations, resources and processing of complex strategies
- Financial Risk – Collateral Management
- Pricing Valuation of illiquid and complex assets
- Conflict of interest
 - Disclosure of side letters
- Reputation Risk – Market Abuse
- Anti-Money Laundering
- Regulatory change – International Impact
 - CRD
 - MiFID

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