From:	dmhawk58@aol.com
To:	Basel Committee, Service
Subject:	Sound Practices for the Management and Supervision of Operational Risk
Date:	Tuesday 08, February, 2011 14:10:00

RE: the subject consultative docuument,

I am a former bank regulator and current bank supervision consultant, and I would suggest adding something more specific about using insurance as a risk mitigating tool, and recommend that Boards have to discuss this and other techniques and document why or why they will not be using.

In developing countries I have worked in or am currently working in, the majority of the banks do not have or see the value in fidelity insurance or basically any other insurance besides property insurance for building and contents. While this is good to have, Boards should also be required to specifically make a determination as to whether the cost of premiums, e.g. would be beneficial compared with the benefit of a loss.

In developing countries there is a lot of fraud that can be mitigated with insurance. There is also a great deal of credit card fraud in developing countries. Of course, there should be requirements for the underwriter, etc. and documentation by the banks that the underwriter is sound.

My real concern is that boards are not really taking a close look at these mitigation tools, without really looking at the cost vs. benefit, and should really at least consider these, and document their discussion, in board minutes so that they have to make a conscious decision whether to use them or not.

It is my understanding that in the developing country I am currently working, it is mainly the international banks with offices here or the banks with lines of credit from, e.g. IFC or EBRD, that have these, either by design or as a requirement for line of credit. Obviously, local banks have the same risks as well, but are not protected.

David Hawkins