

From: Leroux, Guy

To: Basel Committee, Service

Subject: Consultative Document: Sound Practices for the Management and Supervision of Operational Risk

Date: Thursday 16, December, 2010 09:40:27

Attachments: Operational Risk Framework.pptx

Dear sir / Madam,

Further to the consultative document issued in December 2010 mentioned above, I would like to provide my support to the changes made as a step in the right direction. I have been involved in this discipline for a number of years and I can see that the guidance will make a tremendous improvement to the discipline as a whole.

Please find attached a high level guide of the framework that I have implemented, which is along the principles that you recommend, adapted to suit our organization.

Yours truly,

Guy Leroux

Group Head of Operational Risk Management

Renaissance Capital

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OPERATIONAL RISK MANAGEMENT

High Level Guide

Structure

Operational Risk Governance Board

Responsible for Operational Risk Oversight

Operational Risk Working Groups

Front-to-Back Active Management of Operational Risk by
Key Business Line

Mechanics

Key Operational Risk Processes*

Risk Issue Management

- Identification of risk issues
- Classification in severity (high/medium/low)
- Actions to mitigate
 - Addressing/Accepted
 - Escalation process

Operational Loss Escalation / Incident reporting

- Threshold for escalation of loss is \$10k
- "Near-miss" is also included
- High Reputational Risk incidents **Must** be escalated to Operational Risk Team**

New Product Approval/New Business

- Validation of new products/new business for potential risks

Ancillary processes

- Financial crime awareness
- Risk reviews
- Scenario analysis
- Self-Certification process

* Further guidance can be found on the back page

** For assistance, please contact Operational Risk Team or e-mail 'OperationalRiskManagement'

Definition and objective	Official definition of operational risk	<ul style="list-style-type: none"> Risk of loss from inadequate or failed internal processes, people, systems or external events (Source: Basel II) 	
	Main objective	<ul style="list-style-type: none"> Embed a risk culture at all levels within Renaissance where every single employee understands that he/she is responsible for managing operational risks and is aware of the key operational risk processes 	
Structure	Operational Risk Governance Board	<ul style="list-style-type: none"> Virtual Committee reports to Renaissance Capital Risk Committee (RC specific risk issues) and Renaissance Group Risk Executive Committee (Group related issues) Empowers Operational Risk Management Working Groups to manage operational risks for their specific areas 	
	Operational Risk Working Groups	<ul style="list-style-type: none"> Front-to-Back risk groups assigned to each business line Representatives must be from Operational Risk Team, relevant business lines and relevant BSG areas 	
	Operational Risk Team	<ul style="list-style-type: none"> Ensure adherence to Key Operational Risk processes Provide guidance to Front Office and BSG areas on all operational risk matters 	
Mechanics	Risk Issue Management	<ul style="list-style-type: none"> Transparency over identified issues (self-raised issues, incidents, audit reports or external events) Validation of the proper classification of issues Robust governance over their closure and acceptance 	
	Operational Loss Escalation	<ul style="list-style-type: none"> Renaissance Group is committed to a 'no surprise' culture Renaissance employees are required to escalate events where there is actual or potential damage to Renaissance customers, staff, financial standing or reputation 	
	New Product Approval Governance	<ul style="list-style-type: none"> Implementation of a structure and process setting for managing new products, emerging risks with new markets, etc. Validation of conditions of approval for the various BSG areas Post-implementation reviews for selected new products/new markets 	
	Ancillary processes	<ul style="list-style-type: none"> Financial crime awareness Risk reviews Scenario analysis 	<ul style="list-style-type: none"> IT Security Business Continuity Management Off-premises and Out-of-Hours Trading