Operational Risk

Operational risk is the potential loss caused by a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The operational risk management process is supported by the Operational Risk Management ("ORM") Department of Group Risk Management Division. The ORM Department is tasked with establishing the operational risk framework, including policies and methodologies, and provides independent oversight of operational risk monitoring and control. Within the business units, Operational Risk Co-ordinators have been appointed. There are also regular reviews of the business units by internal and external audit to determine their management of operational risks so as to ensure that key business processes are appropriately controlled and functioning effectively.

The ORM Department has developed an overall framework which defines the required environment and organisational components for managing operational risk in a structured, systematic and consistent manner. A comprehensive strategy has been formulated to provide a Group-wide integrated solution encompassing the roll-out of qualitative and quantitative tools and methodologies, with the provision of operational risk scorecards which will ultimately position OCBC Group to qualify for the advanced measurement solution.

The historical loss database is being enhanced with the implementation of a loss event and incident system that is aligned to both emerging regulatory and industry standards. A risk and control assessment program is currently being developed to reinforce our risk assessment capabilities. In addition, comprehensive operational risk awareness training programs are conducted on an ongoing basis to cultivate a pro-active risk management culture within the Group.