

OPERATIONAL RISK DURING COVID-19: LESSONS LEARNED

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Today's Discussion

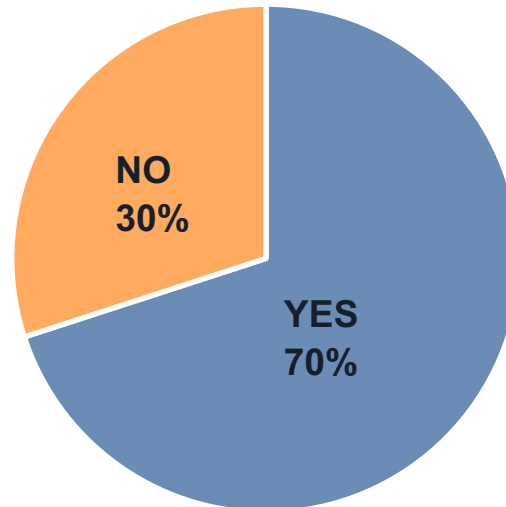
Reflecting on Operational Risk management during Covid-19

1. Priorities and Focus
2. Risks and Controls
3. Opportunities

And: Keeping abreast of industry developments

Priorities and Focus

Have Operational Risk priorities and focus changed due to Covid-19?



Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020

Priorities and Focus



- Quick *shift in focus*
- Review of increased *risks* and weakened *controls*
- Evaluation of *Opportunities*

Poll 1

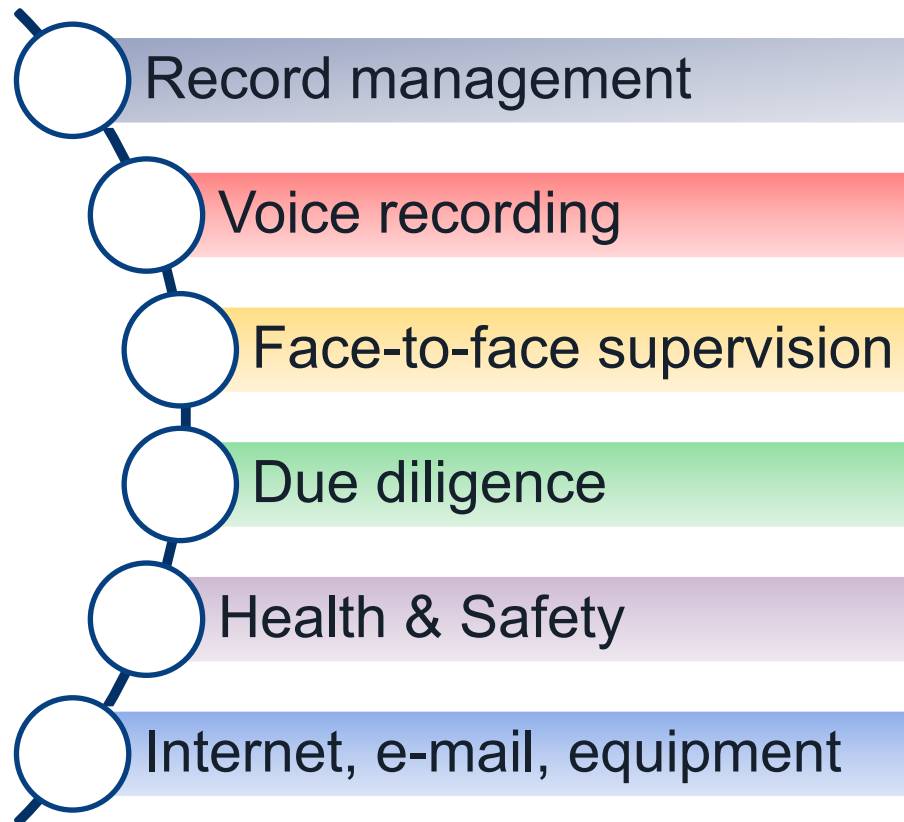
Priorities and Focus

Impact on Risk Profile

Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020



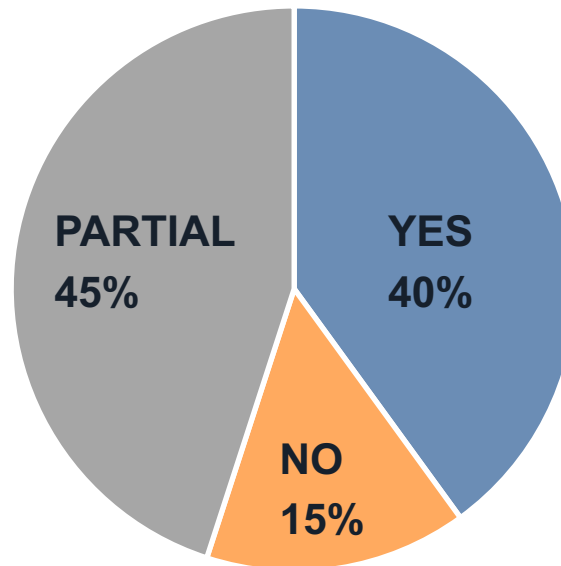
Impact on Control Environment



Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020

Control Environment

Is there a central view of weakened controls?



Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020

How is the View Provided?

Operational Risk
Department



Structured review of risks in the Risk Register, resulting in Operational Risk report to the Group Senior Management, the Board and the regulator on increased risks, weakened controls and incidents.

Data subjected to 2nd line review and challenge

Operational Risk
Department



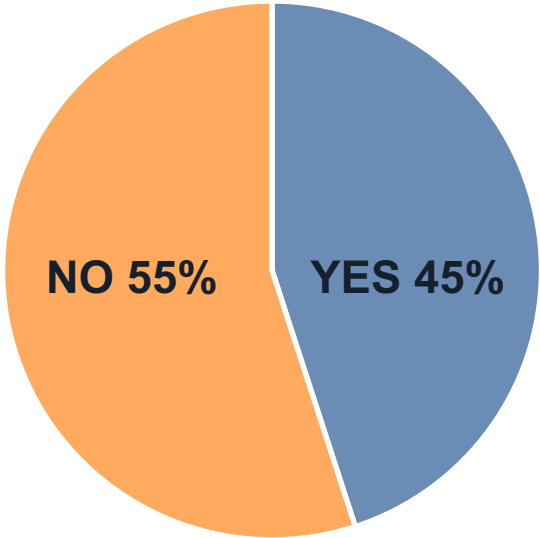
End users identify changes and report on controls that have been stopped or operate differently

Poll 2

Control Environment

Considering Opportunities

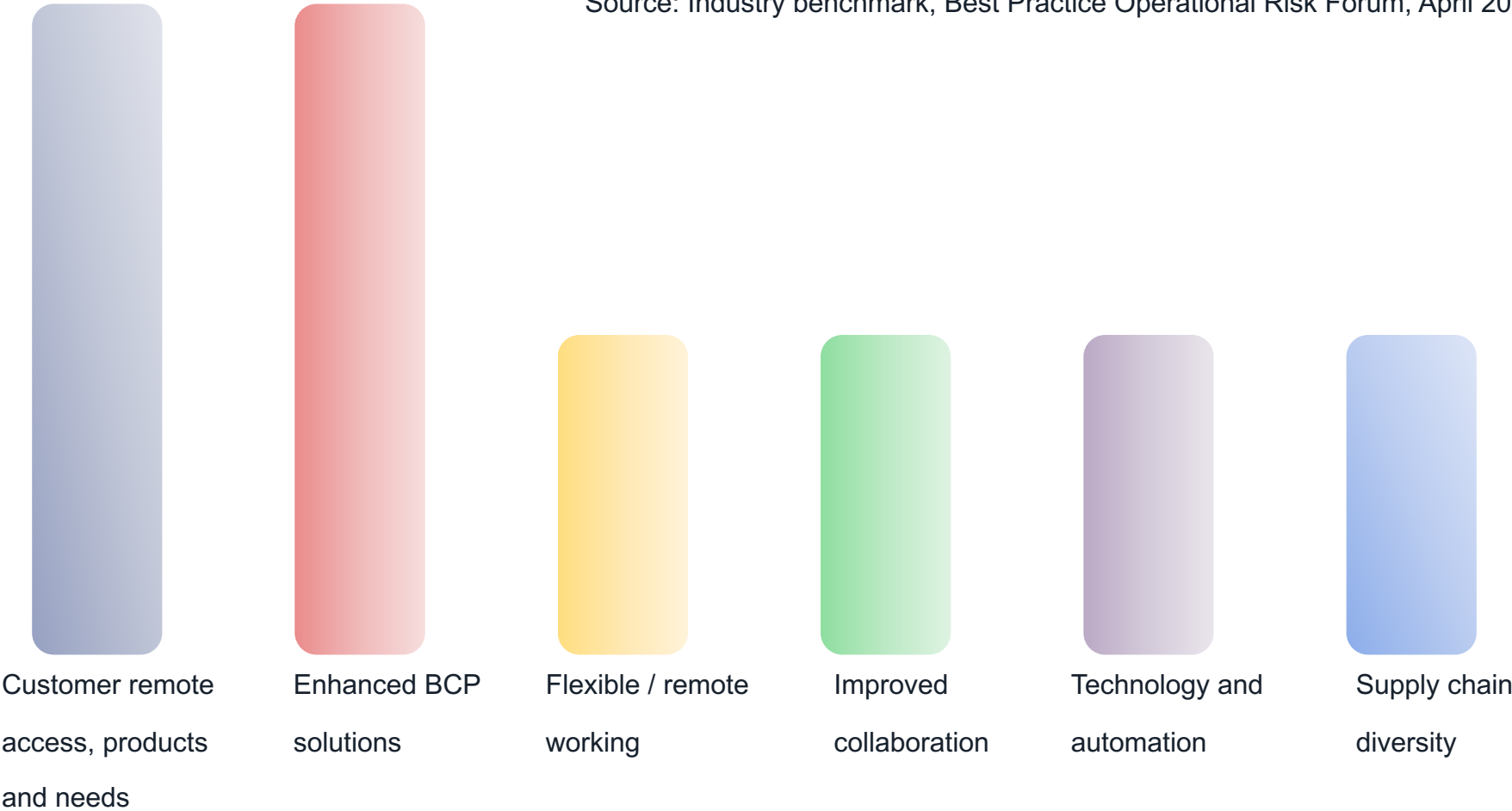
Is Operational risk considering
Opportunities?



Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020

Potential Opportunities

Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020



Structured Approach



Example: Use of AI for client activity analysis

Poll 3

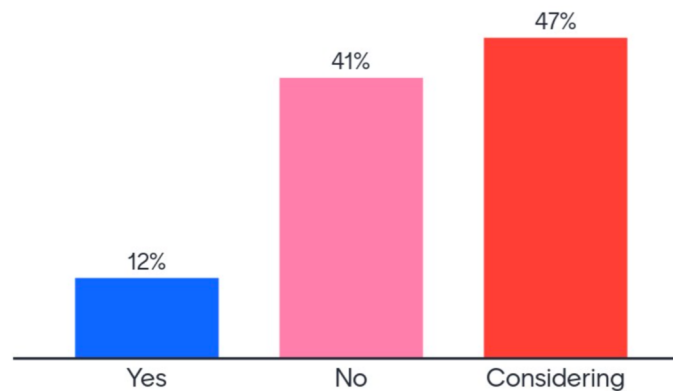
Risks and Opportunities

Keeping Abreast of Developments



- Working from home
- Cleaning, Building and security
- Trades / transaction failures
- Extra resourcing / consultants

Logged Covid-19 as Op Risk loss(es)

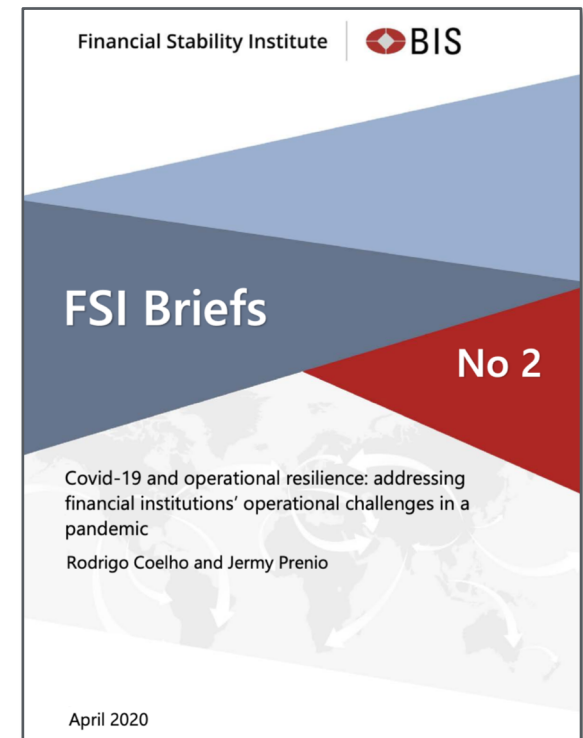


Source: Industry benchmark, Best Practice Operational Risk Forum, April 2020

Keeping Abreast of Developments

Efforts should take into account at least the following elements:

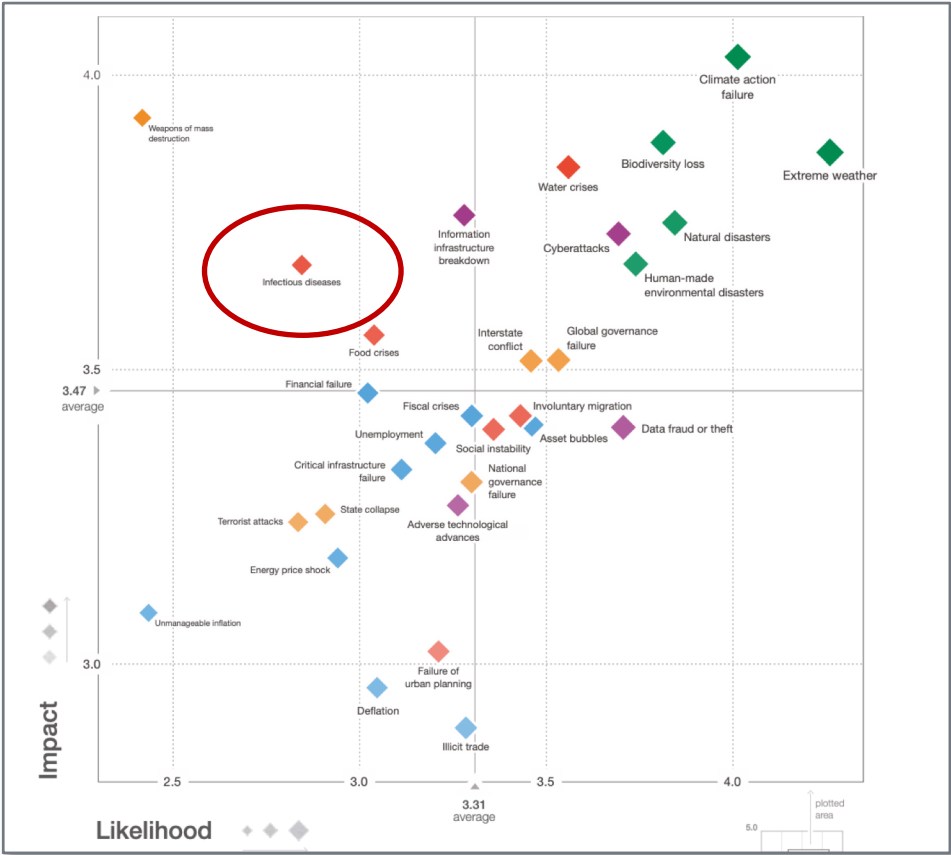
- **Critical/essential employees:** identifying the critical functions and employees that support important business services, as well as ensuring employees' safety and that they can safely resume their duties (remotely, if necessary).
- **IT infrastructure:** ensuring that IT infrastructure can support a sharp increase in usage over an extended period and taking steps to safeguard information security.
- **Third-party service providers:** ensuring that external service providers and/or critical suppliers are taking adequate measures and are sufficiently prepared for a scenario in which there will be heavy reliance on their services.
- **Cyber resilience:** remaining vigilant in order to identify and protect vulnerable systems, and detect, respond and recover from cyber attacks.



Could Risk have done better?



- Extreme weather events
- Climate Action failure
- Natural disasters
- Cyber Attacks
- Data Fraud or Theft
- Information infrastructure breakdown



Lessons Learned

Reflecting on Operational Risk management during Covid-19

1. Stop. Look. Listen.
2. Focus on key increasing *Risks* and take notice of weakened *Controls*
3. Explicitly consider *Opportunities*

Also: Keep abreast of on-going developments

And: Could Risk have done better?

Poll 4

Next Steps: Considering WFH

Let's Discuss

- What have you found interesting?
- What are *your* lessons learned that helped enhance Operational risk practices?

Get In Touch!

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