

*Sergey Bashlay Associate of Professor, PhD;
Oleg Podolyaka Associate of Professor, PhD Ukrainian Academy of Banking of National Bank
of Ukraine*

OPERATION RISK MANAGEMENT OF THE BANK

The level of risk management system is determined by the capabilities of every bank, the extent of its activities, operations performed by the bank. The necessity of implementation of risk-oriented approach to corporate governance is realized as far as bank develops. The adequate organization of business processes and inextricably associated with this the task of creating a system to identify, assess and manage operational risks becomes more significant. Providing necessary quality of all operations and business processes is the sense of operational risk management of the bank. Operational risk of the bank is the probability of direct or indirect losses resulting from inadequate or failed internal processes (uncontrollability of events, lack of business organization, inadequate control), people and system actions (wrong decisions, system errors) or as result of external events (the impact of the environment, legislative control, risk projects). The idea of operational risk management implies the identification of problems and either their complete elimination, or at least reduction of possible losses. Peculiarities of operational risk require that applied methods of management and controls, primarily should be focused on preventing its negative effects, rather than overcome them.

Identification, analysis and modeling of operational risks, as well as capital formation under the operational risk is one of the most difficult challenges of the new Basel Accord (International Convergence of changes in equity and capital standards: the new approach). In addition, the risk management system of the bank is based on technology of the collective data entry and processing large amount of various information. In this case it requires solution of two problems of compliance – Basel II standards and peculiarities of the national conditions of accounting and management accounting (software, business processes specificity of the bank). The level of the current situation of Ukrainian banks underlines the real necessity to revise its outdated business processes that do not meet the harsh realities. As a part of the banking structure, risk management advocates the safety of operations with contractors and customers, thus helping the bank's business.

Identification of operational risk is performed at all stages of the bank's activities, starting with the definition of its strategic objectives and activities, target setting parameters and guidelines. Constant monitoring promotes quickly identification and correcting deficiencies in policy, processes and procedures of interest rate risk management.

Пленарное заседание

Formation of operational risk management of the bank includes the following elements:

- availability of technology maps of banking business processes;
- formation of the risk directory of business processes;
- calculation of losses on operational risk in the context of business processes of the bank;
- identification of the manifestations of certain categories of operational risk and assess of their level on specific processes and operations (statistical analysis of the distribution of actual damages, point-weight method (of evaluation cards), modeling (scenario analysis);
- development of measures to control identified standard types of operational risk (regular monitoring of operating losses, report formation);
- identification of critical risk areas or groups of operations with elevated risk;
- calculation of requirements on capital to cover operational risk;
- development of proposals for institutional change to optimize the implemented business processes, including document management, information flows, distribution of functions, full powers and responsibilities.

Methods of evaluation of operational risks, the procedure for coordination and approval procedures for operations, general requirements for the control procedures are determined by internal documents of the bank.

Availability of necessary financial, technological (software), and skilled workforce will enable domestic banks to engage in the formation of operational risk-management systems. Because their operation is also an important tool in the competition and confirmation of the status of development modern bank.