

Large European bank:  
Embedding Operational  
Risk Appetite Framework  
in decision-making

A large, stylized blue chevron graphic pointing to the right, composed of two thick, parallel lines. It is positioned behind the text "High performance. Delivered.".

High performance. Delivered.

Accenture has helped this large European bank define its Operational Risk Appetite Framework (OpRAF), aligning it to its business strategy. The framework is actionable, supporting decision-making and accountable business practices, and helping to minimize the cost of risk in compliance with client identified requirements.

## Client profile

The client is a large commercial European bank with approximately 100,000+ employees.

## Opportunity

This large commercial European bank wanted to proactively manage its operational risk (OpRisk) in order to reduce operational losses and capital allocation, and improve its bottom line.

### To do so it identified the need to:

- Develop actionable and forward-looking operational risk appetite metrics.
- Link its Operational Risk Appetite Framework (OpRAF) with its business objectives.
- Perform a forward-looking evaluation of operational risks related to sensitive transactions.

Based on Accenture's experience with operational risk management, its strong relationship with client and its extensive knowledge of the client's business, the bank asked Accenture to support it in achieving these goals.

## Solution

Accenture proposed the definition of an OpRAF for the bank, including definition of a governance model and methodology, followed by a pilot implementation. This would assist in the creation of an actionable risk management tool to help steer business decisions, help identify risk promptly, and help provide appropriate actions and processes to mitigate risk and/or escalate issues. Definition of an operational risk assessment process for potentially sensitive transactions, such as outsourcing transactions and new business initiation, was also proposed.

Accenture's innovative OpRAF approach employed forward-looking metrics linked to the bank's business strategies to support accountable business practices. It will assist the bank to timeously address process and behavior issues that may potentially disrupt budget achievements, and help it to achieve its desired risk/return profile.

Accenture helped the client engage key business divisions to facilitate a common understanding of the OpRAF approach across the business. It then helped the client formalize governance rules, monitor risk exposure and report outcomes, identify corrective dimensions, and define methodologies for OpRAF calculations using specific metrics (e.g., Expected Losses On Revenues) and key risk indicators (e.g., mis-selling and cyber risk).

The OpRisk assessments on sensitive transactions comprised a forward-looking evaluation of OpRisks across different scenarios. The assessments were designed to support prompt reporting, escalation and actioning of mitigating actions.

For the assessments, Accenture set up a governance model; assisted in the formalization of internal procedures, guidelines and policies provided by the bank for conducting these assessments; and developed key risk indicators for monitoring the OpRisk profile of relevant transactions.

## Results

This project has assisted the client to define an Operational Risk Appetite Framework for the bank that is aligned with its stated business strategy and embedded within key decision-making processes. It puts in place the foundation to help drive sound and effective governance of the bank's operational risk profile in line with stated regulatory principles and international preferred practices.

By leveraging forward-looking OpRAF metrics and OpRisk assessments of sensitive transactions, the bank is now able to timeously address processes and behavioral issues that could affect budgets and revenue achievements.

### **The OpRAF will assist the bank to:**

- Reduce operational losses
- Reduce its risk-weighted assets (RWA)
- Effectively manage operational risks
- Monitor its operational risk/return profile

With this framework in place, the bank's OpRisk manager will also take on a more strategic role, assisting business managers to define their strategy and minimize the cost of risk.

This project positions the client as an early mover in terms of addressing OpRisk management practices at this level to align them with stated regulatory requirements.

## About Accenture

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