

Banking sample of Risk Issues with Key Risk Indicators

Risk Issue	Key Risk Indicator (qualitative and quantitative)
Light hand management	<ul style="list-style-type: none"> • What is the number of ABC key officers at key positions (GM, Ops, RM, Fin)? • What is the % procedures compliant with ABC procedures? • Is the yearly personal performance appraisal done by global mgt, local mgt, or jointly ? • Does the RM reports to global mgt, local mgt or both?
Remuneration	<ul style="list-style-type: none"> • What is the ratio for the remuneration between FO and BO (head FO, head RM, head Ops, head Fin)? • What is the ratio between fixed and variable income? • Are bonus directly related to the volume of trade or discretionary?
Knowledge level Management	<ul style="list-style-type: none"> • Has the GM a trading background or extensive trading knowledge? • What is the % of the managers with a trading background or extensive trading knowledge?
Unique competitive advantage (UCA)	<ul style="list-style-type: none"> • Does the BU have a unique competitive advantage (UCA) in a specific business? • What % of revenues from non-UCA business? • What is the dependence from non-UCA business?
Quality of risk data	<ul style="list-style-type: none"> • What is the % of straight through processing? • What is % of non-settlements and/or failed settlements? • Is there daily insight in the number of off-market transactions? • Is there daily price testing done by product control? • What is % of transactions not booked on trading date? • Are positions to calculate risk figures taken from reconciled B/O systems? • Is market data used to calculate P&L validated independent from F/O? • Is market data used to calculate risk figures validated independent from F/O? • Have all Key Risk Indicators being defined and monitored on a regular basis?
Audit / regulatory follow-up	<ul style="list-style-type: none"> • What is the % of audits overdue? • What is the % of re-opened items? • What is the audit rating, and is there a comparable rating of the regulatory? • Are too high overdue % immediately tackled by the GM?
Counterparties	<ul style="list-style-type: none"> • Is there a dependency on brokers and prime brokers? What is the frequency of the settlement process with the brokers and prime brokers? • What is the turnover of counterparties, and what are the reasons? • What is the number of off-market deals (reported yes/no)? • Are there clear rules for traders for their relations with brokers (regarding 'wine and dine')?
Confirmation process	<ul style="list-style-type: none"> • Are dealers the only points of contact for a broker? • Is a disciplined processes defined and maintained? • Has the % of the tolerance of not-confirmed business been defined? • Are internal transactions treated the same way as external transactions? • Are all types of external trades be confirmed in writing • Are all internal book-to-book transactions confirmed in writing>
Introduction of new products	<ul style="list-style-type: none"> • Is the product review process followed in all cases? • Which departments are involved in the product review process?

Control breaks/environment	<ul style="list-style-type: none"> • Are statements of holdings send on regular basis? • Are after hours transactions matched against settlements next day? • Are suspense accounts daily cleaned?
Financial ratio's	<ul style="list-style-type: none"> • What is the ratio between trading income versus funding needed? • What is ratio between trading profit versus funding needs (total liabilities)? • What is ratio between total assets versus flow of gross daily cash settlements? • Is external market funding possible or is all funding provided by HO?
Human resources	<ul style="list-style-type: none"> • Is dealing outside the dealingroom environment allowed? • Does dealing outside the dealingroom (incidentally) take place? • What is the minimum unbroken period of time of a holiday that should take place for an employee a year? And is it being enforced?
Organisation	<ul style="list-style-type: none"> • Is an Operational Risk Committee (ORC) effectively installed? • What is the frequency of the ORC meetings? • Are all appropriate managers represented in the ORC?
	<ul style="list-style-type: none"> •