

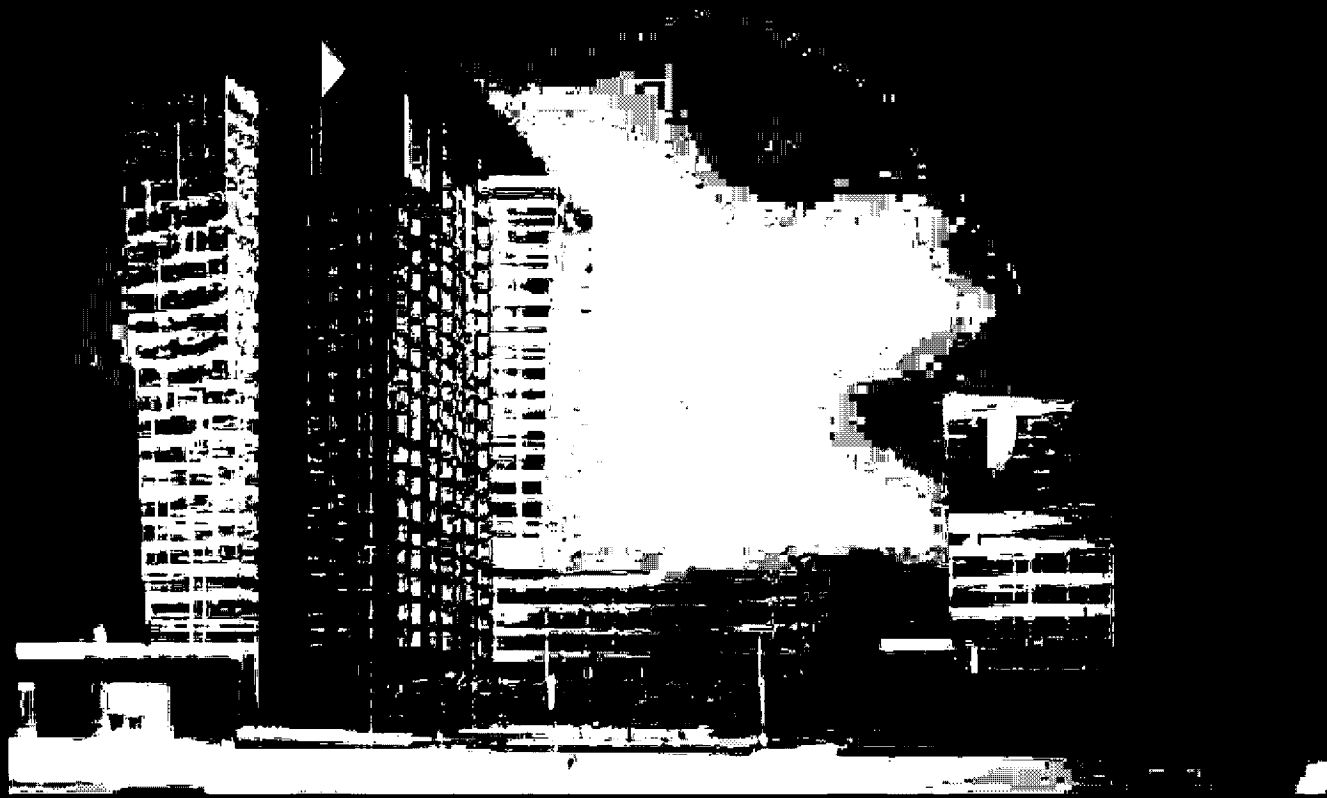


# Internal Loss Data Collection in a Global Banking Organisation

Operational Risk Policy & Support

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**Our goal: To create a structure of  
unquestionable stability and reliability:**



**ABN AMRO Bank NV Corporate Headquarters**

# ABN AMRO Bank NV

The Netherlands-based ABN AMRO is a leading international bank with total assets of approximately € 556 billion. It has over 3,000 branches in 66 countries and territories, and has a staff of about 105,000 full time equivalents world-wide.

ABN AMRO operates through three Strategic Business Units, each responsible for managing a distinct client segment. Wholesale Clients provides integrated corporate and investment banking services to corporate, institutional and public sector clients world-wide. Consumer & Commercial Clients focuses on retail and SME clients in three home markets - the Netherlands, the US and Brazil and in a number of selected growth markets. Private Clients & Asset Management provides private banking services to wealthy clients and investment products to financial intermediaries and institutional clients.

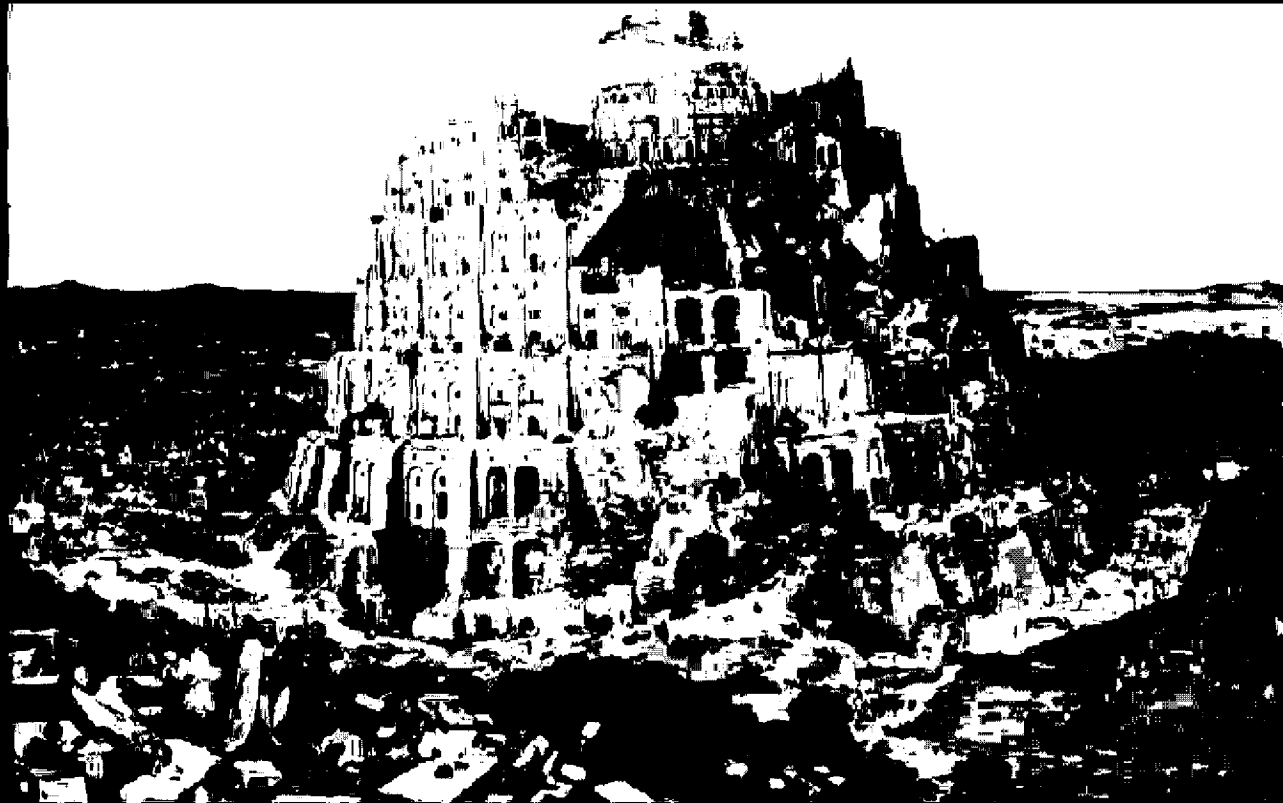
# Loss data collection seems easy....

- ◆ Define about thirty data fields
- ◆ Build an intranet based tool
- ◆ Roll it out world-wide

## **.... but reality is more complex**

- ◆ **Governance structure needed**
- ◆ **Existing initiatives**
- ◆ **Long wish lists from different parties involved**
- ◆ **Thirty data fields only partially recognised**
- ◆ **Cultural changes needed**

# What did we find?



The Tower of Babel

# Existing Sources of Loss Data (1)

- ◆ **Corporate Security Department**
- ◆ **Corporate Insurance Management**
  - **databases with more than 10 years of history**
  - **focussed on individual criminal cases/insurance cases with related information (partly confidential)**
  - **no possibility to do structured analysis on the database**

# Existing Sources of Loss Data (2)

- ◆ **Legal Department**
  - Paper based files
  - Manual quarterly reports produced
  - No database system available to provide overview
  - It can take years before loss amount is definitive
- ◆ **Local retail banking databases**
  - Databases also maintain non-loss data (e.g. discounts)

# Existing Sources of Loss Data (3)

Ultimately, small fragmented databases existed:

- **not mapped to the Framework for Operational Risk (FfOR)**
- **not consistent**
- **not aligned**
- **not adequately granular (details; # of data fields;  $\epsilon$  values)**
- **workflow management requirements**
- **too much confidential information (e.g. names of suspects)**
- **documents needed to be attached**

Thus, existing databases could not be readily used, but, they were a starting point to build upon.

# **AAB Definition of a Loss Event**

**An operational loss event is an incident caused by:**

- ♦ **illegal/unauthorised activities or unintentional mistakes made by internal/external personnel;**
- ♦ **a failure/shortcoming in internal processes / systems / control measures; or**
- ♦ **external disasters**

**that has lead to a P&L effect according to GAAP**

# Loss Data Collection and AMA Qualification

**GOAL: Collect three years of complete and correct operational loss data by 1 January 2007.**

**Option 1: Compile loss data set on 31 December 2006.**

**Option 2: Start collection process, with intent to back-fill data as needed to 01 January 2004.**

**Option 3: Complete process in place by 01 January 2004.**

- ◆ **Define what must be achieved by 01 January 2004**
- ◆ **Compile an inventory what can be done later**
- ◆ **Prepare a gap analysis**

# Questions?

