



Operational Risk

Operational risk achievement awards |

award

Best operational risk framework at an emerging market institution

winner

Alfa Bank

IN THE MIDST of a financial crisis last summer, Alfa Bank's op risk credentials were put to the test.

Philip Halperin, director of risk management at Alfa Bank, says: "We had the contingency plans in place for this type of crisis and negative effects were kept to a minimum."

Alfa faced a crisis when false rumours printed in Russian newspapers triggered an outflow of funds of more than \$500 million. The op risk team responded to this situation with both skill and speed.

"The operational risk management group supported management with tools and controls for operations during these stressful conditions. During this analysis, possible points

operations and once a day at urgent board meetings. "Our correct evaluation of risk levels allowed us to accept increased levels of risk to speed-up cash delivery and settlements. The bank was able to adequately manage liquidity problems," says Naturina.

Ultimately – when the allegations were proved wrong – the loss was reduced to under \$20 million, and much of this has been recovered. In contrast, several other, less prepared Russian banks had their licences revoked by the government as the run on banks spread throughout the system.

Overall, Naturina says the crisis may actually have improved the bank's op risk culture. "The

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of failure of retail operations were identified and urgent measures put in place to prevent this," says Mariya Naturina, head of op risk at Alfa. "These included key performance indicators and position monitoring, and stress-test analysis that allowed us to deal proactively with arising problems."

During the crisis, the risk management group provided updated information three to four times a day to Alfa's director of

positive effects of risk management during the crisis have led to a change in management's attitude to op risk monitoring. We now see managers using indicators as a tool of regular risk monitoring in their departments."

Alfa management continued to work on the implementation of its operational risk framework last year, improving its loss data collection and its risk indicator programmes.



The KRI system now has 12 operational indicators, compared with three a year ago. These cover investment and retail banking and bank infrastructure. In 2005, Alfa plans to extend this to cover treasury, settlement and the middle and back office.

The bank also developed a web-

based op risk management system in 2004. The system has four modules: KRI, loss collection, self-assessment and heat map. "This allows employees from different departments and regional offices to simultaneously register data in the system," says Naturina. **OpRisk**

