

Client	The client is a boutique investment management firm, focussed on investing pooled and segregated funds exclusively in small UK quoted companies.
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Project Name	Development of Operational Risk Appetite & Reporting / Project Remediation
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Project Start Date	July 2010	Project End Date	August 2010
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Industry	<input type="checkbox"/> Corporate banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Fund Custody & Investment Services	<input type="checkbox"/> Investment banking
	<input type="checkbox"/> Private banking	<input checked="" type="checkbox"/> Asset and wealth management
	<input type="checkbox"/> Retail banking	<input type="checkbox"/> Corporate
	<input type="checkbox"/> Broker / Dealer	

Category of Service	<input type="checkbox"/> Performance measurement and monitoring	<input checked="" type="checkbox"/> Regulatory compliance and reporting
	<input type="checkbox"/> Portfolio risk management	<input checked="" type="checkbox"/> Business process improvement
	<input checked="" type="checkbox"/> Specialised risks	<input checked="" type="checkbox"/> Training and people change
	<input type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	<p>As part of their preparations for an impending FSA ARROW visit, the client requested us to :</p> <ul style="list-style-type: none"> • Provide comment and feedback on the quality of the information contained within their existing register of key operational risks; • Work with them to identify the main operational risk categories in relation to which a statement of risk appetite was to be developed; • Assist them in ascertaining and articulating the risk appetite for each category of operational risk; • Help them in developing a simple reporting format, suitable for the regular reporting of updates on operational risk appetite and risk position to the Partners in the firm. <p>One of the key challenges for the client was the fact that the project had previously been started in-house, however the project had stalled, largely due to an unclear understanding of how to approach the development of an operational risk appetite.</p>
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Approach and Solution	<p>Working closely with a senior manager and a Partner of the firm, avantage undertook a comprehensive review of the client’s existing operational risk register, and suggested enhancements to the client in relation to its presentation and content.</p> <p>The next steps involved the identification of the top ‘key’ operational risks within the firm and then articulating a risk appetite, in relation to them. The expression of operational risk appetite was built using a mixture of qualitative and quantitative indicators, with a full suite of Key Risk Indicators (KRIs) containing suitably calibrated thresholds and limits.</p>
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<p>Results and Benefits</p>	<p>We assisted our client in not only reviving an otherwise stalled project, but also in developing a practical tool to report on the firm’s risk position versus its risk appetite on a quarterly basis to the Partners. Suitable coaching was also provided to selected individuals within the firm to aid their understanding of the concept of risk appetite.</p> <p>The following feedback was received from the client at the conclusion of the project :</p> <p><i>“avantage were engaged on a risk management and reporting project. In particular, to assist the firm in understanding and articulating its risk appetite and in the construction of an informative yet proportionate risk reporting framework. avantage staff brought a refreshing degree of clarity to an area that was previously unwieldy and difficult to decipher.</i></p> <p><i>A project that was in danger of stalling was brought back to life, the concepts behind which were communicated in simple and digestible terms. The output is now a dynamic management tool that works and is fully integrated into the day-to-day operation of the business.”</i></p>
<p>Software used</p>	<p>n/a</p>