



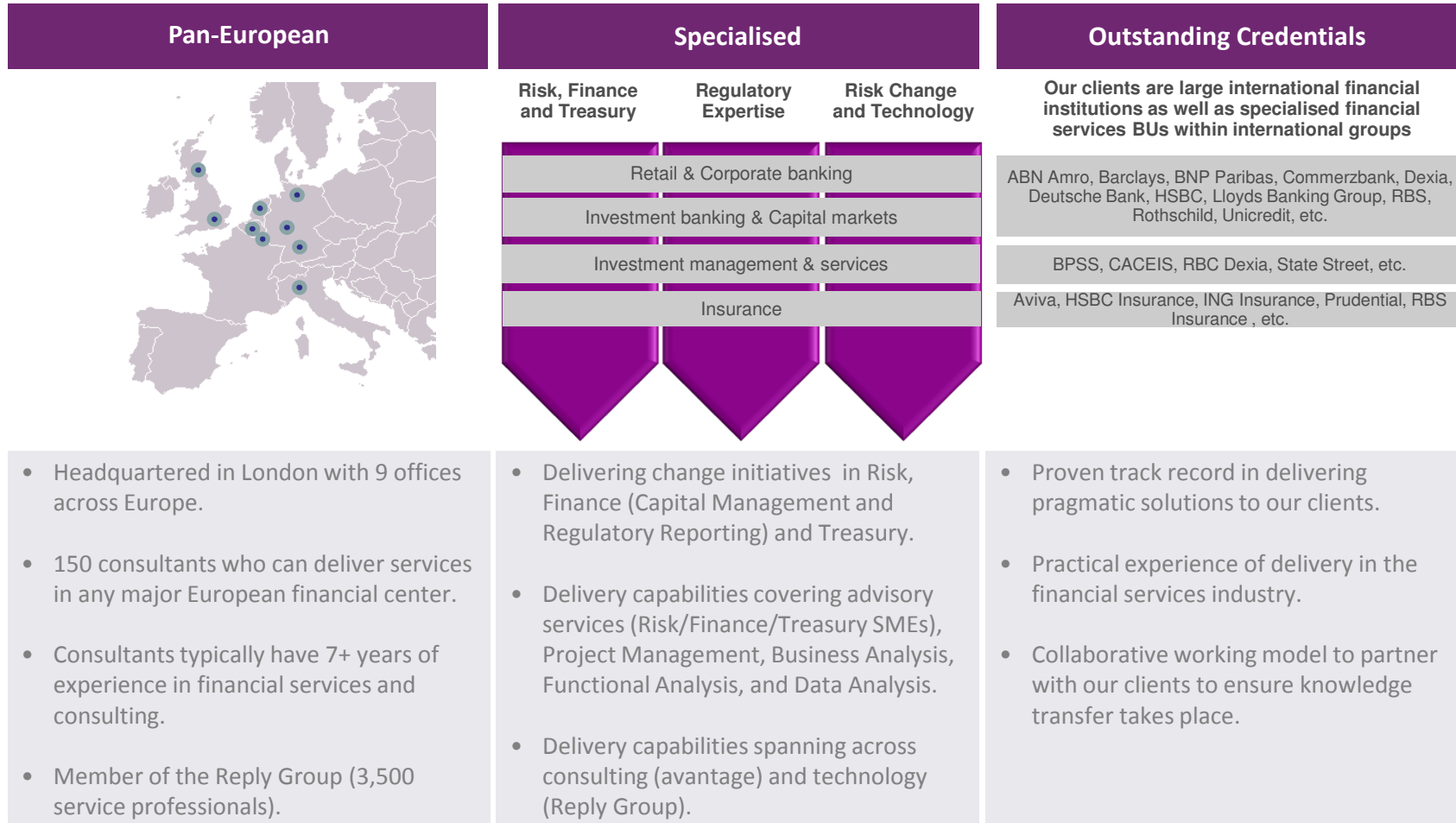
Amendments to BIPRU 6: Operational Risk in market related activities

avantage Business Briefing
14 December 2011

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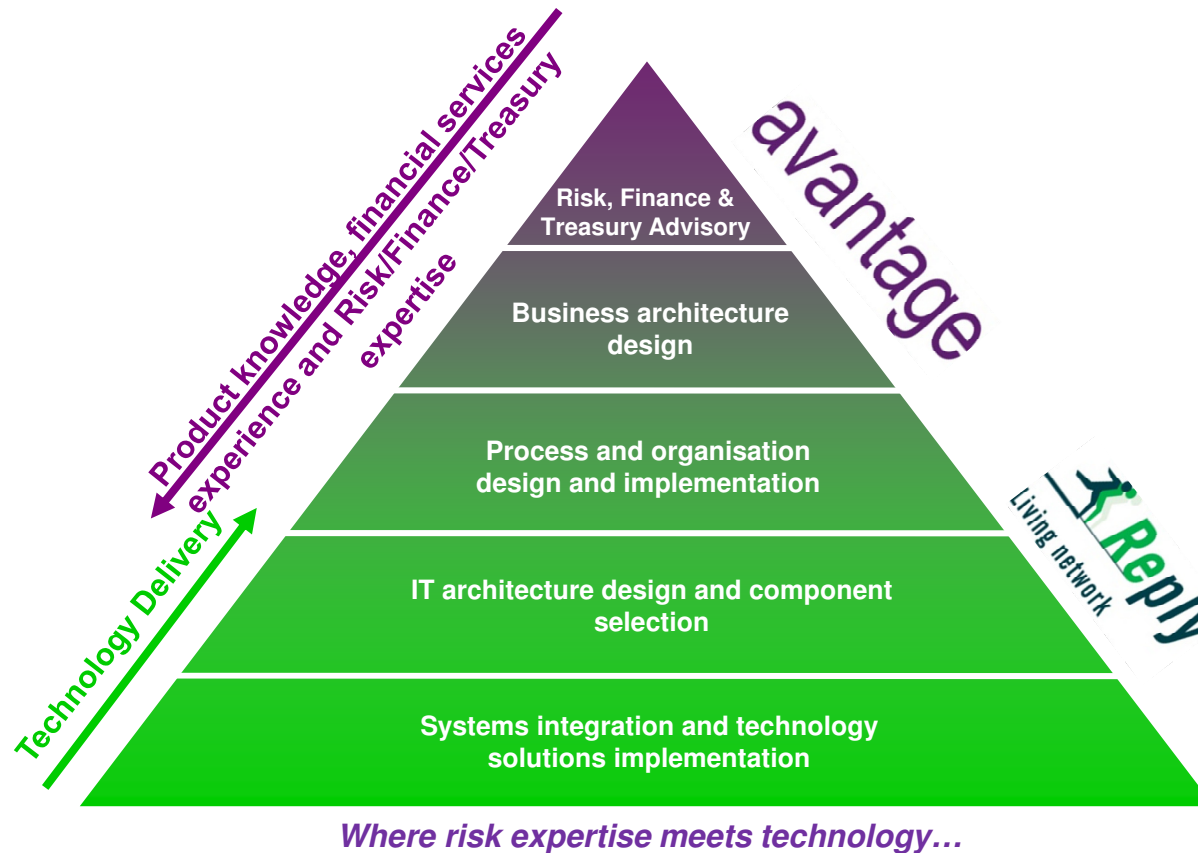
ABOUT AVANTAGE | An Overview

Established in 2004, **avantage** is a pan-European specialised management consultancy delivering change initiatives in Risk, Finance (Capital Management and Regulatory Reporting) and Treasury.



ABOUT AVANTAGE | End-to-end Risk, Finance and Treasury Change Delivery Capabilities

avantage assists the Risk, Finance (Capital Management and Regulatory Reporting) and Treasury functions in implementing change initiatives resulting from strategic and business initiatives and/or new regulatory developments.



SERVICE OFFERINGS – REGULATORY DEVELOPMENTS | Op Risk (Market-Related Activities)

CEBS (now EBA) has introduced more specific principles and implementation measures for the identification, assessment, control and monitoring of operational risk in market-related activities.

Regulatory Background

- **Regulatory Underpinnings:**
 - ✓ European Union: Guidelines on the management of operational risks in market-related activities, CEBS, 12 October 2010;
 - ✓ Domestic: In the UK, for example, references to the CEBS Guidelines within BIPRU 6.3, 6.4 and 6.5 introduced in August 2011.
- **Governance mechanisms:** Five principles that facilitate the management body's awareness of (i) operational risks affecting market-related activities, (ii) a culture of the front office, and (iii) control functions able to challenge the traders' activities.
- **Internal controls:** Ten principles related to the initiation and conclusion of the transactions, documentation requirements, relationships between traders and their eligible counterparts, as well as confirmation, settlement, reconciliation and margining processes.
- **Internal reporting:** Two principles re the importance of high-quality and consistent MI that generate appropriate warnings and alerts for management when appropriate.

Key Service Offerings

- Deployment of avantage's proven assessment tool to establish the principles' degree of implementation and embeddedness.
- Assisting firms in the planning, project management and implementation of necessary improvements in governance, internal controls, or reporting.

Illustrative Credentials

- Worked with the capital markets division of a large UK financial institution in the global roll out of a testing and controls framework for market-related activities;
- Assisted a subsidiary and branch of a US bank in assessing its compliance with the CEBS Guidelines.

Recent Publications / Events

- "The Management of Operational Risk in Market-Related Activities", Nov 2011, Tim Kent-Phillips
- avantage Business Briefing at the BBA, "The Management of Operational Risk in Market-Related Activities", 14 Dec 2011

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