

Trends in the ORX Scenario library 2020

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Who is ORX?

- ✓ The largest operational risk association in the financial services sector
- ✓ Committed to improving the management and measurement of operational risk
- ✓ We do this through research, data and the sharing of ideas, information and experience
- ✓ An ever-expanding global community of operational risk professionals that shares knowledge, expertise and experience
- ✓ Owned and managed by over 100 financial firms from all over the world



Values:

We are trusted



We explore new ideas



We make progress together



We get things done



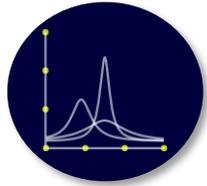
About ORX Scenarios



Industry-leading scenario library, containing approx. 1,000 quality scenarios from the leading financial services firms globally



Scenario development handbooks – a roadmap for creating and quantifying scenarios for specific risks, such as cyber and pandemics



Scenario practice benchmark studies, helping you to enhance your internal practices



Risk intelligence packs – ready-made packs of external information to support scenario development



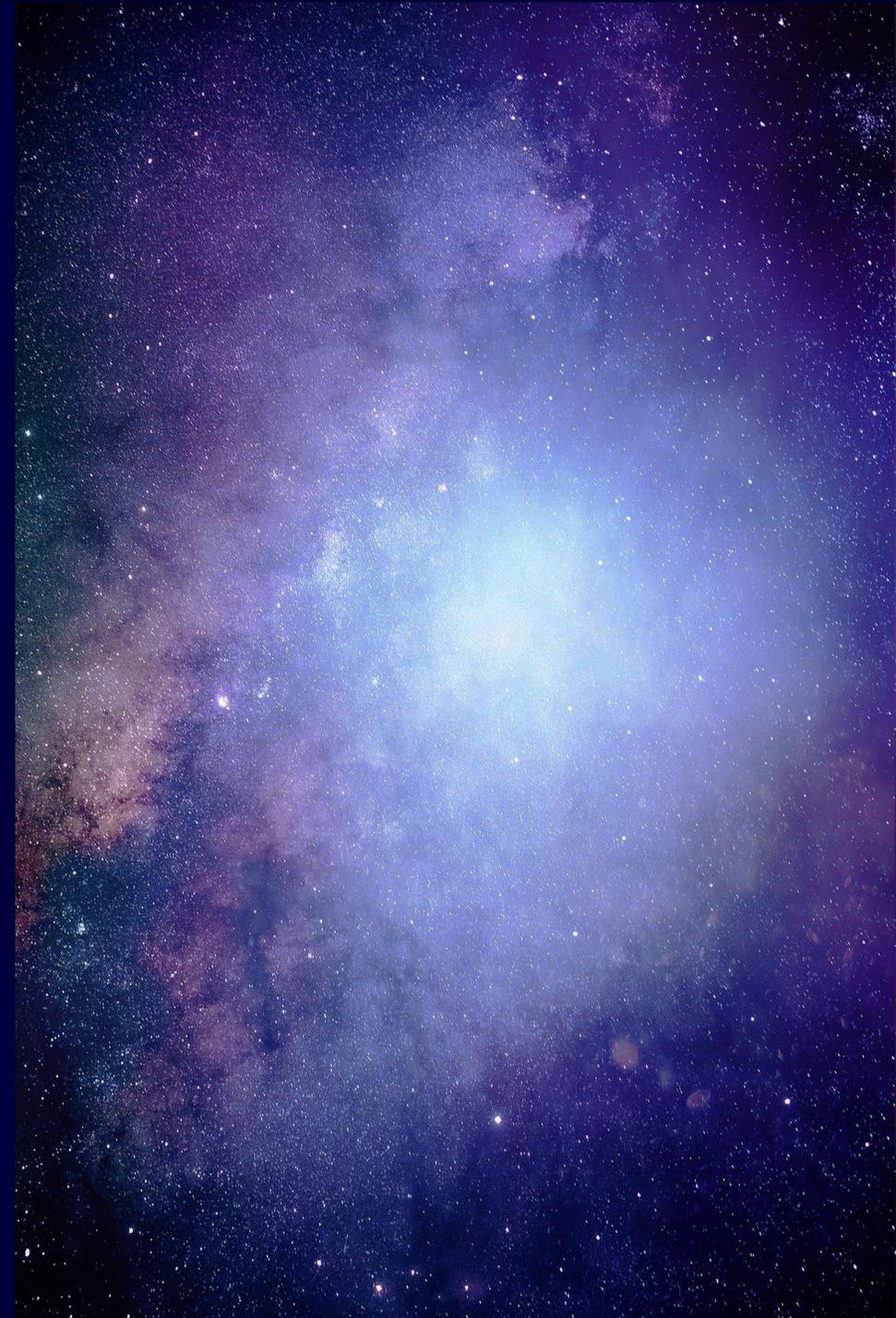
Global scenario practitioner network, including free invitation-only events and working groups

Find out more about ORX Scenarios

Visit www.orx.org for more information on ORX Scenarios and how the service can support practice at your financial institution.

Top 5 scenarios in the library in 2020

Rank	Scenario
1	Conduct
2	External fraud
3	Technology
4	Transaction processing and execution
5	Financial crime



Scenario library analysis 2020

Two main themes emerged:

- **Conduct**

- 90% ORX Scenarios subscribers shared a conduct-related scenario
- Scenarios included mis-selling, market manipulation and overcharging customers
- Will remain important over the rest of 2020 due external influences, such as increased scrutiny from regulators, the potential for increased employee misconduct and uncertainty around contractual obligations relating to existing products

- **Resilience**

- Papers from BCBS & BOE have put resilience under the spotlight
- This year, scenario subscribers shared business continuity-related scenarios in addition to the “usual” most material scenarios
- Amount of these scenarios expected to increase because scenario analysis will be used as a key tool to testing of whether financial institutions can keep operating



Conduct

90%

of subscribers shared at least one conduct-related scenario



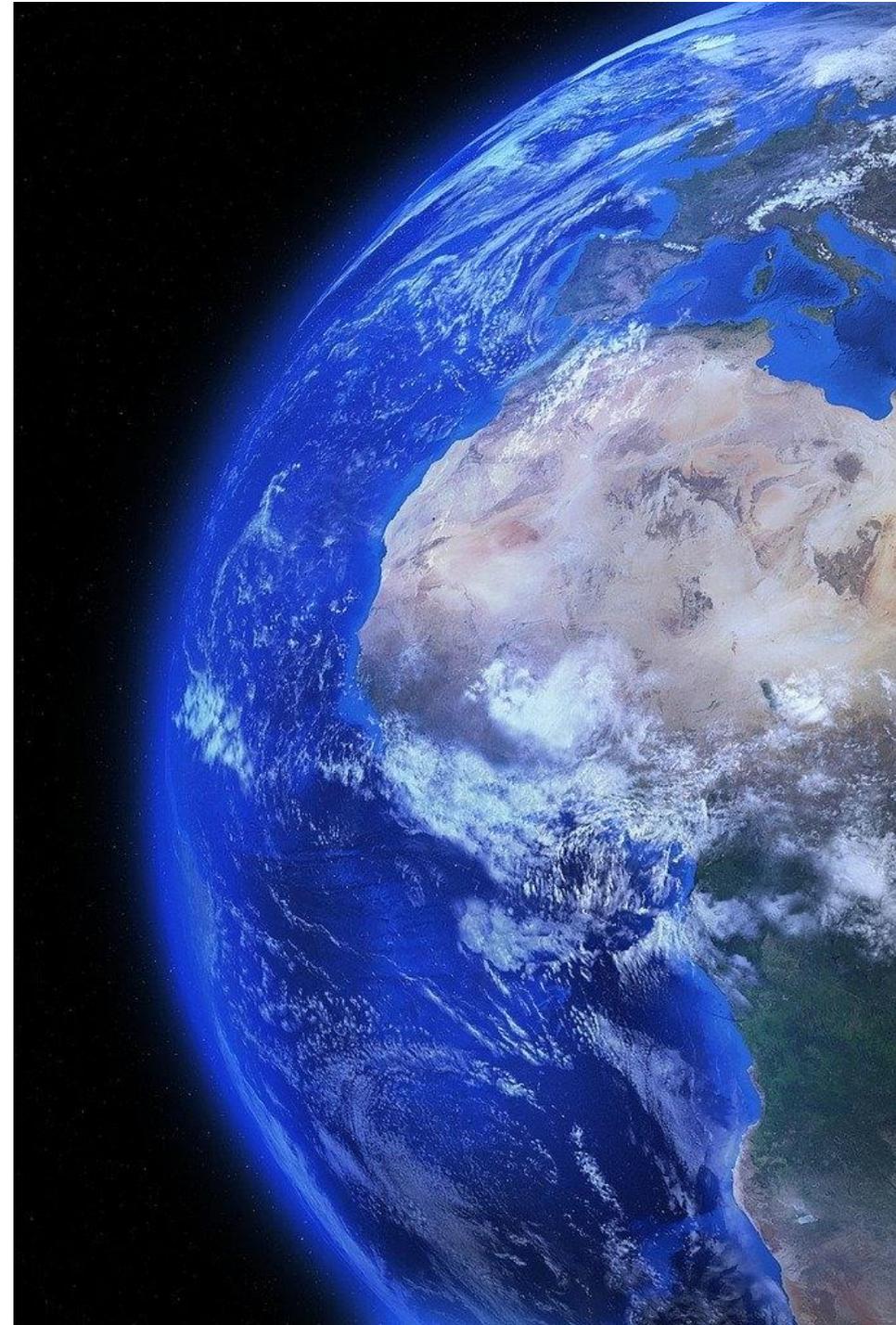
Business disruption

80%

of subscribers shared at least one business disruption-related scenario

Scenarios trends around the world

- Retail banking in all regions is understandably exposed to conduct risk, particularly mis-selling and improper business practice
- North American institutions often consider business disruption as one of the most material risks
- Fraud is a significant concern in African, Western Europe and Asia/Pacific
- Firms with a global presence operating in trading and sales, identify rogue trading and processing errors as the most severe events



'Time to detect' is vital

- "Time to detect" is a key driver that directly influences scenario severity
- When events such as malpractice, data breach, or suspicious transaction occur, it is clear that the faster the firm detects the issue, the lower the financial impact will be
- During the initial stages of the coronavirus crisis accessing live data allowed the firm to respond better and implement risk management measures



Has the pandemic affected the scenario library?

- Most submissions to the library were done before the coronavirus (Covid-19) pandemic
- Impacts of the pandemic will be seen next year, with these categories expected to be prominent:
 - Business continuity & resilience
 - Conduct and people
 - Cyber



O.R.X

Thank you

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