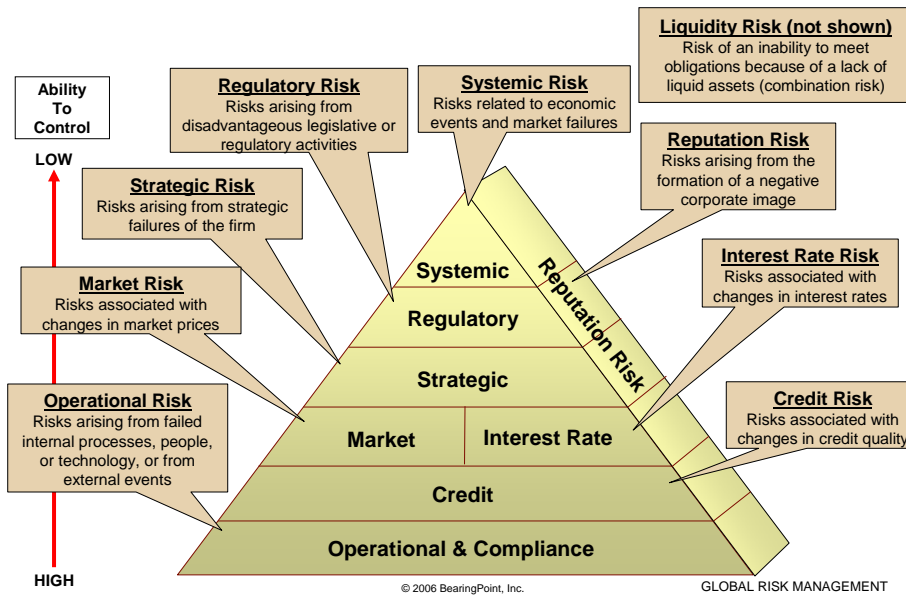


Operational Risk Management

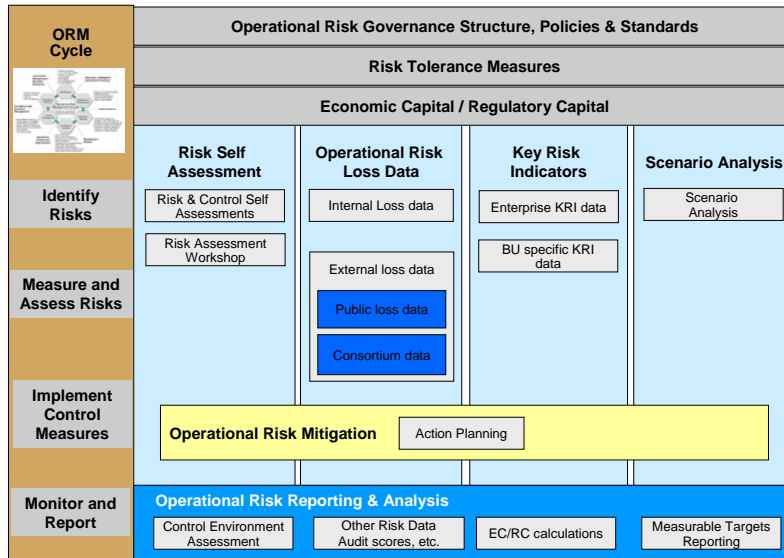
Sandeep Vishnu
 Managing Director: Finance, Risk, and Compliance

December 2006

Operational Risk is one of the more controllable Enterprise Risks



A Comprehensive ORM Framework



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GLOBAL RISK MANAGEMENT 3

Components of the ORM framework can be integrated across the loss distribution curve



Different components of the operational risk management framework address different parts of the Operational Loss Distribution, at times with overlap:

Loss Data Collection:
Collection of all historical and current Operational Loss Data – a minimum of five years (three years in the transition period) of data is required for capital calculations.

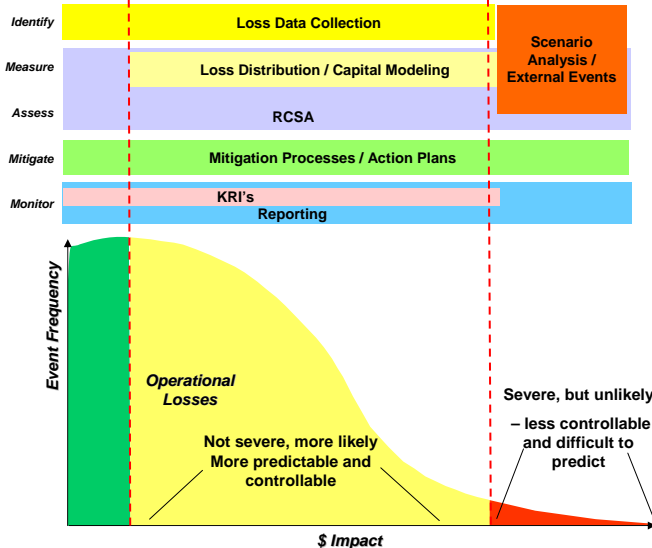
Capital Modeling:
Calculation of the operational capital charge based on severity and frequency distributions building on the organization's internal loss data.

Risk and Control Self-Assessment (RCSA):
The forward – looking assessment of the organization's internal risk and control factors.

Key Risk Indicators (KRI's):
Metrics that are indicative of operational stress levels in the organization.

Scenario Analysis:
The identification of hypothetical, infrequent, yet plausible severe loss events.

External Events:
Examination of relevant external operational loss events.



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GLOBAL RISK MANAGEMENT 4

Example Risk Reporting Framework – Dashboards with drill-down capability and workflow



Bringing it all together- data and commentary

Operational Risk Report Q1 2006
 Business Unit: XYZ
 Sub-unit: None

Report Header
 SRMO Contact Information
 John Z. Doe Ext: 7-7555
 jdoe@bearingpoint.com

Risk stable with continuous improvement on risk issues

History
 The business unit's op loss history shows increasing losses, but fewer events. As before, most losses are concentrated in EDPM, and are caused by a failure to follow procedure. Over the past quarter, system outages increased significantly, as did the number of system changes that were completed.

Issues
 We have done a good job over the past quarter at eliminating our audit issue backlog, and performed well on regulatory performance. We have some BCP and DR plans outstanding in ABC's regulatory performance. We have some BCP and DR plans outstanding in ABC's regulatory performance.

Outlook
 On March 6, State S pension fund parties outstanding, and may use the money was apportioned to We have a similar lawsuit.

Recommended Actions
 We should identify pension plans where we have this vulnerability and investigate limiting their activities to reduce our vulnerability.

Business Unit Specific Metrics

Metric	Value
Metric A	72
Metric B	10
Metric C	10
Metric D	10
Metric E	10

Looking Back: Past Losses, Failures & Outages

Top 5 Operational Losses (Sub-unit)

Date	Event Type	Amount
01/01/2006	Event	\$120
01/15/2006	Event	\$110
02/15/2006	Event	\$20
03/01/2006	Event	\$10
03/15/2006	Event	\$10

Information Technology Center/Dept

Looking Forward: Risk Outlook from RCSA, Legal, and Ext. Loss Database

Business-Specific Metrics

Category	Beginning	New	Resolved	to resolve (\$)	Ending	Threatened
Regulatory Compliance	7	4	2	\$3,400	9	1
Product & Outourcing Risk	3	4	0	\$0	7	2
Other	5	2	0	\$0	7	3
Total	15	10	2	\$3,400	23	6

Compliance (Business Unit)

Regulatory compliance	2
How rules with compliance past due	2
BAR reports filed	289
Estimated cost of trust statements (CS)	\$600

Product & Outourcing Risk (Sub-unit)

Risk reviews completed	15
Open key issues	3
Open key issues past due or extended	2
Open key issues past due or extended	2

External & Internal Risk Review

Date	Institution	(\$m-100k)
		1
		1
		1
		1



Management & Technology Consultants