

OPERATIONAL RISK REPORTING STANDARDS (ORRS)

EDITION 2011

APPENDIX - DETAILED DESCRIPTIONS OF DATA CATEGORIES

VERSION: 1.2
BOARD APPROVED: 10 JUNE 2011
REVISED: 12 JULY 2012

Sponsored by: **Günther Helbok (Bank Austria)**
Thomas Mueller (Deutsche Bank)
Supported by: **Definitions Working Group**
Prepared by: **Mark Laycock**


Copyright & Disclaimer Notice

All rights in this document are owned and controlled by ORX. ORX permits it to be used internally by Members, but not transmitted publicly in whole or in part.

ORX has prepared this document with care and attention. ORX does not accept responsibility for any errors or omissions. ORX does not warrant the accuracy of the comments, statement or recommendations in this document. ORX shall not be liable for any loss, expense, damage or claim arising from this document.

The content of this document does not itself constitute a contractual agreement, ORX accepts no obligation associated with this document except as expressly agreed in writing.

Operational Risk Reporting Standards

This document makes use of **Hyperlinks** for ease of navigation. **Hyperlinks** can be activated using Ctrl+Click with the keyboard and mouse, the cursor may change shape, for example to . The Table of Contents also contains **Hyperlinks**.

If ORX Members have queries on the text or would like to raise issues for concern then they should Email Mark Laycock of the ORX Secretariat, (mark.laycock@orx.org) with a description of the issue.

Contact Information

Operational Riskdata eXchange Association (ORX)

Contact address: c/o Balmer Etienne AG
Dreikonigstrasse 34
CH-8002 Zurich
Switzerland

Web Site: www.orx.org

Version Control

30 June	PD1000	Addition to the Level 1 Description
30 June	PD0800	Addition to the Level 1 Description
22 July	BL0202	Addition to the Global Markets Description
11 August	CS0102	Addition to the description
9 December		Board ratified changes recommended by DWG
16 February 2012	LS0307	Position Taking – Addition to the Description
31 May	BL0700 PC0800	Asset Management – improved Level 1 description Perform Transaction Accounting – addition of records management and archiving

15 June	EL0402	Improper Business or Market Practices – addition of Intellectual Property and License Agreements
---------	--------	--

TABLE OF CONTENTS

Introduction	5
1. Business Lines	6
2. Event Types	17
3. Products	27
4. Bundled Products	48
5. Processes	52
6. Large Loss Event Attributes	86

INTRODUCTION

This document is an Appendix to the Operational Risk Reporting Standards 2011 edition (ORRS) and is an integral part of that document.

This document contains details relating to ORRS Section 5 – How to Categorise Operational Risk Losses. The categories for which additional details are provided below are:

1. Business Lines
2. Event Types
3. Product
4. Bundled Products
5. Processes and
6. Large Loss Event Attributes

The additional detail is laid out in a consistent fashion. There is a sub-unit for each Level 1 category, with any examples, or notes, plus Level 2. The Level 1 & 2 details provide the code as used by ORX, the related label and a description. The examples and notes are not used in every situation; where they are used they are intended to provide an insight into how to use the codes or to provide additional details.

With use, it is expected that the examples and notes will be revised as details are generated to provide additional clarity or address special cases. These additional details may be supported by ORRS Updates.

1. BUSINESS LINES

The additional details below relate to Section 5.1 of the ORRS (2011 edition).

Definition: Business Lines represent profit centres where the revenues are generated from third-parties, not allocations from other parts of the firm (service centres). In recognition that some events are experienced by the entire firm, or a large part of the firm, there is a specially designated Business Line called “Corporate Items”.

The general objective of the Business Line attribute is to:

- Encompass the entire transaction / value chain,
- Include activities that may be performed centrally on behalf of the Business Line,
- Include activities that may be outsourced to non-bank group subsidiaries and/or third-parties.

Requirement: ORX requires the allocation of all losses to a Level 2 Business Line.

ORRS (2011 edition) has a section just on Corporate Items (5.1.1) a section on events that affect Multiple Business Lines (5.1.2) and a section on Materiality (5.1.3).

Level 1	Name	Description
BL0100	Corporate Finance	Structuring, issuance or placement of securities and similar instruments, not just for capital raising
Business Line Examples		
<ul style="list-style-type: none"> • Advising Governments or Corporations on raising funds through bond, equity or money market issues • Advising Governments or Corporations on reorganisations, whether acquisition or disposal • Administering syndicates for fund raising in a organised and disciplined manner • Preparation and distribution of documents related to fund raising, e.g. Prospectuses, Financial Statements etc. 		
Level 2	Name	Description
BL0101	Corporate Finance	Non-Municipal/Government Clients - Underwriting, Privatisations, Securitisations, Debt (Govt & High Yield), Equity, Syndications, IPO, Private Placements, Mergers & Acquisitions, Research,
BL0102	Municipal / Government Finance	Underwriting – Bonds and/or Syndicated Loans and/or Cashflow / Asset-Backed Securities, Privatisations & Disposals
BL0103	Advisory Services	Strategic planning in terms of Balance Sheet restructuring – acquisitions / disposals, establishment of subsidiaries for financial optimisation, Tax Planning
Notes		
<ul style="list-style-type: none"> • Customer Axis – Commercial Clients, Financial Institutions, Governments, Municipal Organisations, Supranational Bodies, Multinational Development Banks 		
Examples of Events being allocated to this Business Line		

Level 1	Name	Description
BL0200	Trading & Sales	Products / Positions held in the Trading Book of the firm and Corporate Investments. (The “Trading Book” is defined by the regulators)
Business Line Examples		
Level 2	Name	Description
BL0201	Equities	Equities, portfolios of equities (including equity indices), cash & derivative products Flow business, market making, position taking, proprietary positions
BL0202	Global Markets	Fixed Income, Foreign Exchange, Money Market, Commodities, Energy, Credit Trading, Own Positions, Brokerage, Repos & Reverse, Funding, Own Debt, Treasury - cash & derivative products Flow business, market making, position taking, proprietary positions
BL0203	Corporate Investments	Cross-Industrial Holdings, items held with the long-term intention of sale
BL0204	Treasury / Funding	Funding the bank/group; capital management for the bank/group/subsidiaries
Notes		
<ul style="list-style-type: none"> Customer Axis – Commercial Clients, Financial Institutions, Internal Clients, Governments, Municipal Organisations, Supranational Bodies, Multinational Development Banks 		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> – Flawed advice is provided – inadequate due diligence; junior employee without adequate supervision; errors in analysis. – Poorly managed mandate, scope creep; bank unable to recoup all costs or charge full fees. – Joint venture investment in trading platform – Settlement failures – Losses due to poorly documented OTC derivative contracts 		

Level 1	Name	Description
BL0300	Retail Banking	Retail Loans, Retail Deposits, Banking Services, Trusts & Estates, Investment Advice, Cards – Credit & Debit
Business Line Examples		
<ul style="list-style-type: none"> • Retail bank branches, Automated Teller Machines (ATMs) • Issue and administer cards • Credit Card Terminals in shops and restaurants • Individuals, small companies serviced by the Retail Branch network 		
Level 2	Name	Description
BL0301	Retail Banking	Retail Loans, Retail Deposits, Banking Services, Trusts & Estates, Investment Advice
BL0302	Card Services	Merchant / Commercial / Corporate Cards, Private Label, Credit & Debit Cards
Notes		
<ul style="list-style-type: none"> • Customer Axis – Clients of Retail Banking, may include Small & Medium Sized Enterprises (SME) depending upon how Members allocate this client group, the alternative is Commercial Banking. 		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> – Incorrect calculation of interest payments due on deposit accounts etc. – Robbery of ATM / Branch – Credit Card or Cheque Fraud 		

Level 1	Name	Description
BL0400	Commercial Banking	Project Finance, Real Estate Finance, Export Finance, Trade Finance, Factoring, Leasing, Loans Guarantees, Bills of Exchange
Business Line Examples		
Level 2	Name	Description
BL0401	Commercial Banking	Project Finance, Real Estate Finance, Export Finance, Trade Finance, Factoring, Leasing, Loans Guarantees, Bills of Exchange, Other Loans, Deposits
Notes		
<p>Customer Axis – Commercial Clients, may also include Small and Medium sized Enterprises depending upon the categorisation used by the Member, the alternative is Retail Banking. Also includes Municipalities, Governments, and Supranational Organisations based upon the type of transaction.</p> <p>This Business Line also includes “cash management” as a set of services to allow customers to better manage their account balances/ earn better interest rates on deposits and investments. This is not the same as Cash Management in BL0501 below.</p>		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> – Incorrect Loan Documentation – Fraud on Letters of Credit 		

Level 1	Name	Description
BL0500	Clearing	Financing and related services
Business Line Examples		
Level 2	Name	Description
BL0501	Cash Clearing	Payments & Collections, Funds Transfer, Cheque Processing, Non-Securities Clearing & Settlement,
BL0502	Securities Clearing	Securities Clearing & Settlements, including derivatives using Clearing Houses or Central Counterparties. Includes Commodities Clearing House activity
Notes		
<ul style="list-style-type: none"> • Customer Axis – Commercial Clients, Financial Institutions, Internal Clients, Financial Institutions, Governments, Municipal Organisations, Supranational Bodies, Multinational Development Banks 		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> – Incorrect allocation of securities to multiple accounts operated by one fund manager – Incorrect position statements and valuations – Late payment of salaries to staff of Commercial Client 		

Level 1	Name	Description
BL0600	Agency Services	Bank account, deposit services, “plain vanilla” investment products
Business Line Examples		
<ul style="list-style-type: none"> • Gold Custody • Payments of coupons / principal on bonds 		
Level 2	Name	Description
BL0601	Custody Services	Escrow, Depository Receipts, Securities Lending (Customers), Corporate Actions, Issuer & Paying Agents, Securities Settlement.
BL0602	Corporate Trust & Agency	Prime Brokerage Special Financial Services performed on an Agency Basis. Includes activities that were previously (2007) coded under “Custom Services”.
Notes		
<ul style="list-style-type: none"> • Customer Axis: Commercial Clients, Financial Institutions, Internal Clients, Financial Institutions, Governments, Municipal Organisations, Supranational Bodies, Multinational Development Banks 		
Examples of Events being allocated to this Business Line		
– Fines for inadequate segregation of client assets from those of the firm		

Level 1	Name	Description
BL0700	Asset Management	<p>Management of individual assets invested in financial instruments on behalf of others (i.e. not in the bank's own name for its own account) in which the bank has the power to make investment decisions. This includes activities where each customer's assets are held in a separate portfolio, as well as those where the assets of different customers are pooled in one portfolio.</p> <p>Involves preparing and implementing decisions on investments in securities and other liquid financial investments (e.g. currencies, money market instruments) and managing these investments for the customer's account.</p> <p>Pooled, Segregated, Retail, Institutional, Closed, Open, Discretionary, Non-Discretionary</p>
Business Line Examples		
<ul style="list-style-type: none"> • Create, manage and administer funds • Pension fund management • Listed Mutual Funds, Unit Trusts, Investment Trusts 		
Level 2	Name	Description
BL0701	Invalid	No in use
BL0702	Invalid	No longer in use
BL0703	Fund Management	Pooled, Segregated, Retail, Institutional, Closed, Open, Discretionary, Non-Discretionary
Notes		
<p>Customer Axis</p> <ul style="list-style-type: none"> • Commercial Clients, Financial Institutions, Governments, Municipal Organisations, Supranational Bodies, Multinational Development Banks 		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> – Investing in instruments outside the investment mandate e.g. OTC Options 		

Level 1	Name	Description
BL0800	Retail Brokerage	Various services related to administration and management of estates, trusts, assets, portfolios etc.
Business Line Examples		
<ul style="list-style-type: none"> • Ordering taking system & execution for securities for clients using the Retail Branch network • Advising retail investors on portfolio construction and performance monitoring 		
Level 2	Name	Description
BL0801	Retail Brokerage	Execution Only, Full Service.
Notes		
<ul style="list-style-type: none"> • Customer Axis - Retail clients and Small & Medium Sized enterprises (SME) 		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> - Incorrect order execution - Provision of unjustified performance guarantees 		

Level 1	Name	Description
BL0900	Private Banking	Private Loans, Private Deposits, Banking Services, Trusts & Estates, Investment Advice
Business Line Examples		
Banking services to high net-worth individuals, families and family trusts		
Level 2	Name	Description
BL0901	Private Banking	Private Loans, Private Deposits, Banking Services, Trusts & Estates, Investment Advice.
Notes		
<ul style="list-style-type: none"> • Customer Axis – High Net-Worth Individuals, Families & Family trusts • The boundary between Retail Banking and Private Banking is determined by the Member and their internal categorisation. 		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> – Embezzlement / theft of funds. – Provision of unjustified performance guarantees 		

Level 1	Name	Description
BL1000	Corporate Items	Limited category for items than can only be categorised at corporate level
Business Line Examples		
<ul style="list-style-type: none"> - Corporate-level financial reporting events - Incidents experienced by the Board of Directors (or equivalent) as a whole or individually - See also ORRS Text Section 3.2.1 Grouped Events for an example applying Grouped, Linked and Corporate Centre Events 		
Level 2	Name	Description
BL1001	Corporate Items	Limited category for items than can only be categorised at corporate level.
Notes		
Where an event is experienced by multiple business lines they should be reported as Linked Events for the respective business lines		
Examples of Events being allocated to this Business Line		
<ul style="list-style-type: none"> - Natural Disaster affects a Regional Office - Pandemic 		

2. EVENT TYPES

The additional details below relate to Section 5.2 of the ORRS (2011 edition).

Definition: Event Types represent a description of what happened. The Event Types used by ORX are close as possible to the intent of the Basel Committee, but not exactly the same.

The principal requirement for ORX event classification is to support consistency, according to agreed rules and definitions. Several means may be available to support the classification process (decision trees, types, etc.).

Essentially the Event Type label is a response to the question “What happened to give rise to this operational risk loss?” Why it happened would be part of causal analysis and outside the scope of the Event Types.

Requirements: ORX requires the allocation of all losses to a Level 2 Event Type.

Background: The Event Type category is not a laundry list of all the possible individual events or causes relating to an operational risk loss. The key concept is “type” which enables grouping.

Level 1	Name	Description
EL0100	Internal Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party
Event Type Examples		
<ul style="list-style-type: none"> - Unauthorised Trading by Front Office - Collusion with external parties to commit Mortgage or Loan Application Fraud - Theft of company art works by a member of staff - Upload of a “logic bomb” onto bank computers by an employee - Theft of computer files by a member of staff 		
Level 2	Name	Description
EL0101	Unauthorised Activity	Exceeding authority when entering into a transaction or approving a transaction Transaction not reported Intentional mis-marking of positions Rogue Trading
EL0102	Internal Theft & Fraud	Theft by a member of staff of Intellectual Property or Tangible Assets Theft / extortion / embezzlement / robbery Misappropriation of assets Malicious destruction of assets Forgery Checque kiting Smuggling Account take-over / impersonation / etc.

		Tax non-compliance / evasion (wilful) Bribes / Kickbacks Insider Trading (not on firm's account) Includes "for profit" and "not for profit"
EL0103	System Security Internal – Wilful Damage	Intentional damage to systems (hardware and/or software) by internal staff due to actions carried out or not carried out Theft of data Includes "Malicious Damage / Systems Security – Wilful Damage Internal" (this was EL0803 in ORRS 2007)
Notes		
It may take the result of legal action to distinguish between unauthorised trading and fraud		

Level 1	Name	Description
EL0200	External Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third-party
Event Type Examples		
<ul style="list-style-type: none"> – Fraudulent mortgage or loan application – Bank robbery – Hacker attack e.g. Denial of service, uploading of a computer virus or other malware 		
Level 2	Name	Description
EL0201	External Theft & Fraud	Theft, Robbery, Forgery, Check / Cheque Kiting Includes “for profit” and “not for profit”
EL0202	System Security External – Wilful Damage	Includes hardware and/or software, Hacking Damage, Theft of Data leading to a monetary loss Includes “Malicious Damage / Systems Security – Wilful Damage External” (this was EL0802 in ORRS 2007)
Notes		

Level 1	Name	Description
EL0300	Employee Practices & Workplace Safety	Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events
Event Type Examples		
<ul style="list-style-type: none"> - Sexual harassment - “Toxic” workplace - Legionnaires’ Disease - Stress - Asbestos 		
Level 2	Name	Description
EL0301	Employee Relations	Compensation, benefit, termination issues Organised labour activity
EL0302	Safe Workplace Environment	General liability (slip and fall, etc.) Employee health & safety rules events Workers compensation
EL0303	Employment Diversity & Discrimination	All discrimination types
Notes		

Level 1	Name	Description
EL0400	Clients, Products & Business Practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
Event Type Examples		
<ul style="list-style-type: none"> - Promise of guaranteed performance - Front running client orders - Use of unauthorised models e.g. for position valuation or risk estimation 		
Level 2	Name	Description
EL0401	Suitability, Disclosure & Fiduciary	Fiduciary breaches / guideline violations Suitability / disclosure issues (KYC, etc.) Retail customer disclosure violations Breach of privacy Aggressive sales / Mis-selling Account churning Misuse of confidential information Lender liability
EL0402	Improper Business or Market Practices	Antitrust Improper trade / market practices Market manipulation Insider trading (on firm's account) Unlicensed activity Money laundering Vendors / Suppliers Trade Counterparties Infringement of Intellectual Property or License Agreements e.g. software
EL0403	Product Flaws	Product defects (unauthorised, etc.) Model errors

EL0404	Selection Sponsorship & Exposure	Failure to investigate client per guidelines Exceeding client exposure limits
EL0405	Advisory Activities	Disputes over performance of advisory activities
Notes		
Model Error includes errors found in a model after it has completed the model review process and been declared "fit for purpose"		

Level 1	Name	Description
EL0500	Natural Disasters & Public Safety	Losses arising from loss or damage to physical assets from natural disaster or other events.
Event Type Examples		
Level 2	Name	Description
EL0501	Natural disasters & Other Events	Earthquakes, Storms, "Acts of God"
EL0502	Accidents & Public Safety	Slip & Fall by a Member of the public, pollution by the firm
EL0503	Wilful Damage & Terrorism	Vandalism, Terrorism, certain Criminal Activities not covered elsewhere, War, Civil Disturbance / Riot Includes "Malicious Damage / Wilful Damage & Terrorism" (this was EL0801 in ORRS 2007)
Notes		

Level 1	Name	Description
EL0600	Technology & Infrastructure Failure	Losses arising from disruption of business or system failures
Event Type Examples		
Level 2	Name	Description
EL0601	Technology & Infrastructure Failure	Hardware Software Telecommunications Utility outage / disruptions – power, water.
Notes		
Excludes hacker or malware attacks (see EL0200)		

Level 1	Name	Description
EL0700	Execution, Delivery & Process Management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors
Event Type Examples		
<ul style="list-style-type: none"> - Vendor / Outsourcing Disputes - Miscellaneous non-client / counterparty disputes 		
Level 2	Name	Description
EL0701	Transaction Capture, Execution & Maintenance	Miscommunication Data entry, maintenance or loading error e.g. data quality issues Missed deadline or responsibility Model / system mis-operation e.g. using old data Accounting error / entity attribution error Other transaction process task mis-performance Delivery failure Collateral management failure Reference Data Maintenance
EL0702	Monitoring & Reporting	Failed mandatory reporting obligation e.g. reporting to Stock Exchanges Inaccurate external report (loss or fine incurred) e.g. quarterly fillings
EL0703	Customer Intake & Documentation	Client permissions / disclaimers missing Legal documents missing / incomplete / not “fit for purpose” / inadequately executed
EL0704	Customer / Client Account Management	Unapproved access given to accounts Incorrect client records (loss incurred) Negligent loss or damage of client assets
Notes		

3. PRODUCTS

The additional details below relate to Section 5.3 of the ORRS (2011 edition).

Definition: Products, which also include services, are the sources of revenue for a bank via direct or indirect fees.

The general objective of the product type attribute is to:

- increase the understanding of the nature of losses and
- facilitate an improvement in transparency within a Member
- link losses to products for P&L and budget purposes
- identify chronic or recurring weaknesses, and
- promote value-added dialogue with the businesses and functional areas regarding the impact of their operational risk experience and potential operational risk exposure

Requirements: ORX requires the classification of all losses against Level 2 of the product type. Whether to classify a certain loss to a specific product type depends on what product or service was involved when the event happened.

If revenue streams from multiple products were affected then use the one single product type to which the event contributing the bulk of the Gross Loss value can be attributed. If no single product was involved or where the event was so widespread that specifying individual products would no longer be relevant or would add little or no value, then classify these losses as 'not product-related' (e.g. branch or ATM robberies, natural disaster etc.).

Level 1	Name	Description
PD0100	Capital Raising	Structuring, issuance or placement of securities and similar instruments, not just for capital raising
Product Examples		
<ul style="list-style-type: none"> • Common or Preferred Stock • Corporate Bonds • Convertibles, Warrants • Mortgage-Backed Securities, Asset-Backed Securities • Placement of Common Stock for which there is no market place • Syndicate administration 		
Level 2	Name	Description
PD0101	Equity Issuance	The provision of services related to the initial public offering (IPO) or subsequent issuance into the market of an equity investment for any issuing company. Examples of offering instruments are common or preferred stock.
PD0102	Bond Issuance	The provision of services related to the issuance and placement of debt funding into the market for any issuing entity. Examples of debt funding instruments are corporate bonds and municipal bonds.
PD0103	Structured Product Issuance	The provision of services related to the issuance and placement of structured financial products. Examples of structured financial products are equity-linked bonds, warrants and convertibles.
PD0104	Securitisations	The provision of services related to the issuance and placement of securitisations. Examples of securitisations are mortgage and asset-backed securities.
PD0105	Private Placements	The management of an off-exchange placement of instruments to an investor or a group of investors. The manager can be acting on behalf of either the investors or the capital raising entity. This management includes

		the initial identification of the capital raising entity and the group of investors, due diligence on behalf of the investors, instrument structuring, the exchange of instruments and funds, and subsequent support for the financing.
PD0106	Syndications	The provision of services in support of a syndicated financing. The syndication agent can act on behalf of either the investors or the borrower. Examples of these services are due diligence, the creation of the syndicate, the initial allocation of the syndicate, the coordination of principal, interest and fee cash flows and ongoing syndicate maintenance.
Notes		
Customer Axis – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> – Bank is sued because of alleged deficiencies in due diligence or prospectus. – Errors, oversights or shortcuts in analysis lead to a poorly structured transaction that doesn't sell well; the bank has to hold or re-price. – Errors, oversights or shortcuts in due diligence lead to a structure with legal, tax or jurisdictional problems. – A company for which a private placement is arranged turns out to be fictitious. This is learned only after the transaction is completed and management of the company have absconded with the funds. 		

Level 1	Name	Description
PD0200	Corporate Finance Services	Advisory Services regarding corporate structure and strategic decisions
Product Examples		
Level 2	Name	Description
PD0201	Mergers and Acquisitions	The provision of advisory services and/or financing in pursuit of, or in opposition to, mergers and acquisitions. Also includes disposals.
PD0202	Corporate Advisory Services	The provision of specialist advisory services and related research for corporates and other private commercial entities and government corporations. Examples of services would be advice on funding, breakups, reorganisations/restructurings, etc.
Notes		
Customer Axis – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> – Flawed advice is provided – inadequate due diligence; junior employee without adequate supervision; errors in analysis. – Poorly managed mandate, scope creep; bank unable to recoup all costs or charge full fees. 		

Level 1	Name	Description
PD0300	Derivatives & Securities	Trading & Sale of all securities and derivatives either via an exchange or over-the-counter
Product Examples		
Spot FX, Mortgage-Backed Securities, Certificates of Deposit, Treasury Bond Futures, Interest Rate Swaps, Equity Index Options		
Level 2	Name	Description
PD0301	Fixed Income	Interest-rate-based securities irrespective of whether they traded on or off exchange (OTC). Examples of such products are Corporate, Government and Municipal Bonds, Notes and Bills. (Excludes Mortgage-based products – see Credit Derivatives). This also includes inflation-linked bonds.
PD0302	Equities	Equity-based securities irrespective of whether they traded on or off exchange (OTC) on the “pink sheets” or private placements. Examples of such products are Equities, ADRs, Warrants and Convertibles Bonds.
PD0303	Commodities	Commodity-based cash products including energy-based cash products irrespective of whether they are traded on or off exchange (OTC). Examples of such products are Coffee, Sugar, Agricultural Products, Metals, Energy, Carbon, and Weather
PD0304	Foreign Exchange & Money Markets	Spot and forward foreign exchange products, money market deposits irrespective of whether they traded on or off exchange (OTC). Examples include cash notes, coins and bullion; and short-term paper (Certificates of Deposit, Commercial Paper, Trade Bills) and interbank loans and deposits.
PD0305	Repos / Securities Lending	The trading and sale of repos and the lending of securities, including reverse repos and securities borrowing.
PD0306	Investment Funds	Investment funds and ETFs (exchange-traded funds) defined as pools or portfolios of instruments irrespective of whether they are traded on or off exchange (OTC). The underlying instruments themselves may or may not be listed. Examples of the underlying instruments in the pools/portfolios include fixed income, equities, commodities, money market, mutual funds in some national markets among others. "Asset-Backed Securities" are not included. The trading and sale of both private

		equity funds and regulated exchange-traded funds are included.
PD0307	Interest Rate Derivatives	Long and short-dated interest rate-based products irrespective of whether they are traded on or off exchange (OTC). This also includes securitisation of Interest Rate Derivatives. Examples include swaps, options and options on swaps; FRAs, futures contracts, derivatives on interest rate / bond indices, warrants and structured debt products where the majority of the pay-off is linked to interest rates.
PD0308	Credit Derivatives	Credit-based products irrespective of whether they are traded on or off exchange (OTC). Includes Credit Default Swaps and Options and options on swaps, securitised Mortgages (actual or synthetic), "Asset-Backed Securities", credit indices, warrants and other credit-based structured debt products.
PD0309	FX Derivatives	Foreign exchange derivative products irrespective of whether they are traded on or off exchange (OTC). Includes Futures, Swaps, Options, options on swaps or futures, warrants and structured debt products where the payoff is dominated by movements in FX rates. May be a single currency pair or a portfolio. Excludes FX forwards which are captured under FX & MM.
PD0310	Equity Derivatives	Equity-based derivative products irrespective of whether they are traded on or off exchange (OTC). Includes futures, swaps, options, options on futures or swaps, warrants and structured debt products, where the payoff is dominated by movements in equity prices. The underlying equity risk may be a single equity or a portfolio, such as an equity index
PD0311	Commodity Derivatives	Commodity-based derivative products irrespective of whether they are traded on or off exchange (OTC). Includes futures, swaps options, options on futures or swaps, warrants and structured debt products, where the payoff is dominated by movements in commodity prices. The underlying may be a single commodity or a portfolio, such as a commodity index. For a list of commodities see Commodities above.
PD0312	Other Derivatives	Derivatives products on other underlying asset classes and financial variables, irrespective of whether they are traded on or off exchange (OTC). Includes futures, swaps options, options on futures or swaps, warrants and structured debt products, where the payoff is dominated by movements in the underlying risk. The underlying risk can be property, earthquakes bonds (weather-related products such as wind storms are Commodity Derivatives), mortality rates, pensions. This category should also be used for derivatives or structured products where the payoff is based upon the performance of multiple categories of "cash" products, for

		example “quantos”, which may be a combination of equity and FX, or relative performance between fixed income and equity.
Notes		
Customer Axis – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> – Trades put in backwards; for wrong amount, wrong counterparty, wrong security, on wrong exchanges, with wrong dates, etc. – Valuation adjustments required because of incorrect pricing/valuation models. – Rogue trading situations – unauthorised trades, counterparties, markets, instruments, jurisdictions, etc. – Glitches in trading or limit management systems. 		

Level 1	Name	Description
PD0400	Retail Credit	Financing and related services
Product Examples		
Level 2	Name	Description
PD0401	Retail Cards	The provision of credit, debit and other forms of card to facilitate payment and, in the case of credit cards, to extend temporary revolving credit. Includes the servicing of both own-name cards as well as the servicing of white labelled (branding) card products.
PD0402	Vehicle Loans	The provision of loans for the purchase of cars and other vehicles for domestic use, such as boats, secured by the vehicle. These loans are often originated indirectly by a dealer as opposed to the financial institution providing the funding.
PD0403	Vehicle Leasing	The lease of cars or other vehicles to a user, usually, but not always, with an option to buy when the lease expires. Leases are often originated indirectly by a dealer as opposed to the financial institution providing the funding.
PD0404	Student Loans	The direct provision of unsecured loans for financing higher education. These are sometimes guaranteed by a third-party corporation of agency.
PD0405	Mortgages	The provision of loans for the purchase of homes and other real estate for personal use secured by the real estate. These loans are often originated indirectly by a real estate professional brokering the sale as opposed to the financial institution providing the funding.
PD0406	Home Equity Loans and Lines of Credit	The provision of loans or revolving lines of credit for any purpose secured by the equity in a home. These lines of credit are originated through a broker or directly by the financial institution providing the funding.
PD0407	Other Secured Consumer Loans	The provision of other retail loans and consumer credit secured by an asset other than real estate or a vehicle.

PD0408	Other Unsecured Consumer Loans	The provision of other retail loans and overdrafts not secured by an asset.
PD0409	Other Consumer Leasing	The provision of leased finance for assets other than those for vehicles.
PD0410	Personal standby letters of credit or guarantees	Letter of credit or similar arrangement, which represents an obligation to the beneficiary on the part of the issuer to repay money borrowed by or advanced to or for the account of the account party, or to make payment on account of any indebtedness undertaken by the account party, or to make payment on account of any default by the account party in the performance of any obligation.
Notes		
Customer Axis - Retail Clients & Small / Medium Size Enterprises (SME), Private banking clients for all Product Types at Level 2		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Loan write-offs where: <ul style="list-style-type: none"> • Bank's underwriting procedures were not followed or not followed completely; loans would not have been extended if procedures had been followed. • Systems glitches let clients overdraw lines of credit without limits being triggered. • Collateral or documentation errors preclude the bank from accessing/realising on collateral pledged. • Fraud – by borrower, bank employee, third-party (e.g. lawyer, appraiser). - Identity theft involving credit cards 		

Level 1	Name	Description
PD0500	Commercial Credit	Financing and related services
Product Examples		
Level 2	Name	Description
PD0501	Commercial & Industrial Loans	The provision of funding to a commercial customer, on a revolving basis for general operating purposes (including inventory and receivables financing and 'floor plan financing'), and on a fixed term basis for acquisition of plant, equipment and other fixed assets (includes 'fleet financing' and asset-based lending).
PD0502	Commercial Real Estate Loans	The provision of financing for the acquisition or improvement of commercial property to be held for investment/income purposes.
PD0503	Construction, Acquisition & Development Loans	The provision of interim funding to a commercial real estate customer for the development of a site or construction of a building project (residential or commercial) that is intended for resale. Also known as 'builder finance' or 'construction financing'.
PD0504	Commercial Leases	Provision of financing to commercial clients, generally for acquisition of equipment, via an agreement which provides the lessee (the commercial client) the right, for a stated period of time, to use an asset which continues to be owned by the lessor (financer), in return for a series of payments (lease payments) by the lessee.
PD0505	Commercial Cards	The provision of credit, debit and other forms of cards to commercial clients.
PD0506	Card Merchant Services	The provision of operational/ infrastructure support services for credit and debit cards processed by the merchant.
PD0507	Project Finance Loans	The provision of funding for some specific capital project, where recourse is typically limited to the future cash flows of the project.
PD0508	Trade Finance	The provision of time-related financing linked to a specific commercial asset over

		which the financier acquires rights including Documentary Letters of Credit and Documentary Collections.
PD0509	Standby Letters of Credit, Bank Guarantees, Bankers' Acceptances	Provision of a financial guarantee by a bank with respect to its client's financial or other obligations, payable only in the event of non-performance by the client under the terms of the obligation. Can take the form of a standby letter of credit, a bank guarantee or a bankers' acceptance (short-term negotiable commercial paper issued by a non-financial corporation but guaranteed by a bank).
PD0510	Factoring	The provision of receivables financing and debt collection on a full recourse or a non-recourse basis.
PD0511	Structured Lending	The provision of 'non-plain-vanilla' financing to commercial clients, inclusive of 'mezzanine financing' and 'Islamic banking' products.
Notes		
Customer Axis – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors		
Examples of Events being allocated to this Product Type		
<p>– Loan write-offs where:</p> <ul style="list-style-type: none"> • Bank's underwriting procedures were not followed or not followed completely; loans would not have been extended if procedures had been followed • Systems glitches let clients overdraw lines of credit without limits being triggered • Collateral or documentation errors preclude the bank from accessing/realising on collateral pledged • Fraud – by borrower, borrower employee, bank employee, third-party (e.g. lawyer, appraiser) 		

Level 1	Name	Description
PD0600	Deposits	Bank account, deposit services, “plain vanilla” investment products
Product Examples		
Level 2	Name	Description
PD0601	Consumer Current Accounts	The provision of banking services related to an 'on demand' transactional account. Also known as 'checking account'.
PD0602	Consumer Notice Accounts	The provision of banking services related to an account having access restrictions such as frequency or notice requirements. Includes time and term deposits, certificates of deposit (USA), guaranteed investment certificates (Canada) and similar instruments.
PD0603	Commercial Bank Accounts	The provision of banking services related to 'on demand' bank accounts, including current accounts, checking accounts, call accounts and demand deposits.
PD0604	Commercial Time and Term Deposits	The provision of fixed-term deposit products to commercial clients.
PD0605	Investment Products	The provision of retail investment products, where returns are variable with which life assurance products can be bundled. Examples include products such as unit trusts, mutual funds, other equity-linked products, RRSPs (Canadian tax-sheltered retirement savings program – Registered Retirement Savings Program), ISAs and PEP Schemes (UK-related), and other similar jurisdictionally specific products.
Notes		
Customer Axis:		
– PD0601/02	Retail clients + Small & Medium Sized Enterprises (SME), Private banking clients	
– PD0603/04	Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors	
– PD0605	Retail clients + Small & Medium Sized Enterprises (SME)	

Examples of Events being allocated to this Product Type

- Cheque fraud
- Kiting / Cross-Firing Cheques
- Discrepancies between documentation (contract) with client and:
 - Interest rate paid on savings accounts;
 - Calculation method for interest on term deposits;
 - Service charges levied on bank accounts.

Level 1	Name	Description
PD0700	Cash Management, Payments & Settlements	Client management of cash inflows/outflows; all forms of payments; clearing, settlement and exchange services.
Product Examples		
Level 2	Name	Description
PD0701	Retail Cash Management	The provision of electronic banking services that support a client in managing his/her cash inflows and outflows. These include services such as consolidated account balance and transaction reporting; multi-FI balance reporting; receipt and payment of e-bills; one-off, recurring and deferred electronic payments; inter-account transfers; direct debit; direct deposit; and automatic balance sweeping and surplus cash investment.
PD0702	Commercial Cash Management	The provision of electronic and other banking services that support management of a company's cash inflows and outflows. These include receivable collection products, disbursement facilitation products, centralised cash control products and information services.
PD0703	Electronic Payments	All forms of payment initiated and executed electronically.
PD0704	Manual Payments	All forms of payment initiated manually or by other non-electronic means, irrespective of how the payment is executed. Typical examples are cheques, travellers cheques or faxed payment instructions.
PD0705	Clearing	The matching, aggregating and netting of sets of transactions and the subsequent simultaneous exchange of securities against cash or transfers of securities free of payment between buyers and sellers.
PD0706	Settlement	Settlement - Execution of securities transactions by a Settlement organisation or a custodian for a trading institution. Settlement includes the simultaneous exchange of securities versus cash and securities transfers free of payment between a buyer and a seller. It also includes the transfer of securities as the result of netting by a clearing organisation.

PD0707	Exchange Services	The provision of services typically offered by a central exchange, by acting as a principal, taking settlement risk and all the business risks of the exchange, and by utilising their own platform.
Notes		
<p>Customer Axis</p> <ul style="list-style-type: none"> - PD0701 – Retail clients + Small & Medium Sized Enterprises (SME), Private banking clients - PD0702 – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors - PD0703 – All customers - PD0704 – All customers - PD0705 – All customers - PD0706 – All customers - PD0707 – Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors 		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Permitting accounts of non-wholly-owned subsidiaries to be included in sweep to main account. Company goes bankrupt; subsidiary/other parent sues bank for recovery of funds - Pre-Authorised Payments <ul style="list-style-type: none"> • Fall off the system; clients incur service charges/embarrassment for not making their payments • Duplicated; recourse lost, can't all be recovered - Wire payments <ul style="list-style-type: none"> • Made to wrong counterparty; can't be recovered • Wrong amount; can't be recovered • Wrong currency; can't be recovered • Not made due to systems problems; clients incur service charges/embarrassment for not making their payments - Settlement breaks/fails are not identified because of a reconciliation backlog; bank makes clients whole 		

Level 1	Name	Description
PD0800	Trust / Investment Management	Various services related to administration and management of estates, trusts, assets, portfolios etc. May also include investment management products with "insurance wrappers" such as life policies, insurance bonds, endowment policies.
Product Examples		
Level 2	Name	Description
PD0801	Custody Services	The safe-keeping of physical and non-physical assets and other items of value on behalf of customers.
PD0802	Corporate Actions Services	The execution of notified events and decisions related to securities on behalf of the security holder.
PD0803	Corporate Trusts	The provision of registrar and agent services on behalf of an issuer.
PD0804	Prime Brokerage	The provision of custody, clearance and settlement and other "back office" functions to trading entities such as hedge funds.
PD0805	Financial and Estate Planning	The provision of advisory, planning and related services with respect to wealth management and estate structures, including tax, legal, and financial advice, and trust, wills, probate and executor services.
PD0806	Discretionary Portfolio Management	The provision of portfolio management services to retail or private banking clients under a discretionary mandate, allowing the banker to make investment decisions on behalf of the client.
PD0807	Execution-only Services	The provision of execution-only services for a client under a mandate which requires the client to direct all investment decisions for the private banker.
PD0808	Advisory Portfolio Management	The provision of private banking services to clients under the terms of a mandate which may require some input from the client or where the client may, from time to time, provide some input.

PD0809	Lombard Credits	The granting of credit by banks against pledged items, that is, collateralised credit facilities secured by assets (cash, securities, life insurance policies) that need to be monitored and margined.
Notes		
<p>Customer Axis at Level 2</p> <ul style="list-style-type: none"> - PD0801 – All customers - PD0802 – All customers - PD0803 - Commercial Clients; Financial Institutions; Government / Supranational / Municipal / Public Sectors - PD0804 – Financial Institutions - PD0805 – Private banking clients - PD0806 – Private banking clients - PD0807 – Private banking clients - PD0808 – Private banking clients - PD0809 – Private banking clients 		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Assets given into custody are lost. - There is a delay in dealing with a corporate action notice; client decisions are not advised within the deadline; bank makes clients whole. - A backlog in the corporate trust area results in out-of-date stockholder lists being used for payment of extraordinary dividends. Not all funds can be recovered. - There is a failure in the systems supporting the prime brokerage unit; the unit is unable to meet its service-level obligations and is required to pay penalties to clients. - Tax advice used for estate planning is based on information from the wrong jurisdiction. The bank pays the cost of unwinding and correctly re-establishing structures, including penalties to tax authorities. - Churning in discretionary and advisory accounts; client made whole. - Unauthorised trades in non-discretionary accounts; client made whole. - Collateral backing Lombard Credits is not monitored; client falls out of margin but no collateral call is made; client defaults. 		

Level 1	Name	Description
PD0900	Investment Products	Investment management, execution, administration, operational management services
Product Examples		
Level 2	Name	Description
PD0901	Fund Administration	The provision of fund operational management and administration services.
PD0902	Institutional Asset Management - Traditional	The provision of investment management and execution services on behalf of institutional clients holding portfolios of traditional assets such as listed securities.
PD0903	Institutional Asset Management - Alternative	The provision of investment management and execution services on behalf of institutional clients holding portfolios of non-traditional assets such as private equity, hedge funds, derivatives, real estate, etc.
Notes		
<ul style="list-style-type: none"> • Customer Axis - Financial Institutions 		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> – Records for two fund clients with similar names are co-mingled; actions are taken for the wrong fund client; fund client made whole. – A junior employee purchases ineligible securities for the account of an institutional client with a restricted investment mandate. The bank is unable to sell these back into the market and is required to hold them until liquidity returns to the market 		

Level 1	Name	Description
PD1000	Brokerage	Investment advisory, management and execution services including Stock Broking
Product Examples		
Level 2	Name	Description
PD1001	Full-Service Brokerage	The provision of full investment advisory services including the provision of research, execution and margining, offered via a licensed retail brokerage entity or Broker-Dealer.
PD1002	Self-Directed Brokerage	The provision of execution-only brokerage services (includes margining), typically in an on-line 'do-it-yourself' environment, offered via a licensed retail brokerage entity or Broker-Dealer.
Notes		
<p>Customer Axis at Level 2</p> <ul style="list-style-type: none"> - PD1001 – Retail clients + Small & Medium Sized Enterprises (SME), Private Banking - PD1002 – Retail clients + Small & Medium Sized Enterprises (SME) 		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Churning in discretionary accounts; clients made whole. - Investments in discretionary accounts inconsistent with client profile and investment mandate; clients made whole; penalties; fines. - Unauthorised trades in non-discretionary accounts; clients made whole; penalties; fines. - Incorrect securities bought based on misunderstood verbal trading instructions; market moves before this can be corrected; client kept whole. 		

Other

Level 1	Name	Description
PD9800	Non-Banking Product	Other products/services not generally considered part of a bank or investment bank's offering, e.g. insurance
Product Examples		
Products outside the standard offerings of banks and investment banks, e.g. insurance.		
Level 2	Name	Description
Notes		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Mis-selling Insurance - Car Hire 		

Level 1	Name	Description
PD9900	Not Product-Related	Used for situations where no specific product was involved.
Product Examples		
If a product is not linked to a loss event then the 'Not Product-Related' category is selected e.g. Tsunami		
Level 2	Name	Description
Notes		
This category can also be used where an event was so widespread that specifying individual products would no longer be relevant or would add little or no value.		
Examples of Events being allocated to this Product Type		
<ul style="list-style-type: none"> - Hurricane or flooding shuts down branches and offices. - Building cladding material falls from 39th floor of head office building, causes damage to several cars and shops below. - Employee in purchasing department has been taking bribes from suppliers; cost of bribes reflected in increased contract costs. - Head office finance group misses deadline for critical tax filings; penalties are paid. 		

4. BUNDLED PRODUCTS

Definition: Bundled Products occur in two situations and are defined as follows:

- A bank puts together a bundle or package of products or services; a single fee is charged for the whole bundle. Some of the products included in the bundle may also be available on a standalone basis and can be purchased individually.
- A product which is offered on a standalone basis by one bank is provided as an adjunct or incidental service in association with a 'primary' product by another bank.

Requirement: Products and services should be reported on a standalone basis at the most granular level provided by the categories in the Product Type Attribute. To determine the appropriate Product Type category, Members must identify whether the loss involved a single or dominant product within the bundle or package of services.

See also Section 5.3.1 in the ORRS main text.

Figure 1 – Summary decision tree for losses involving bundles of products / services

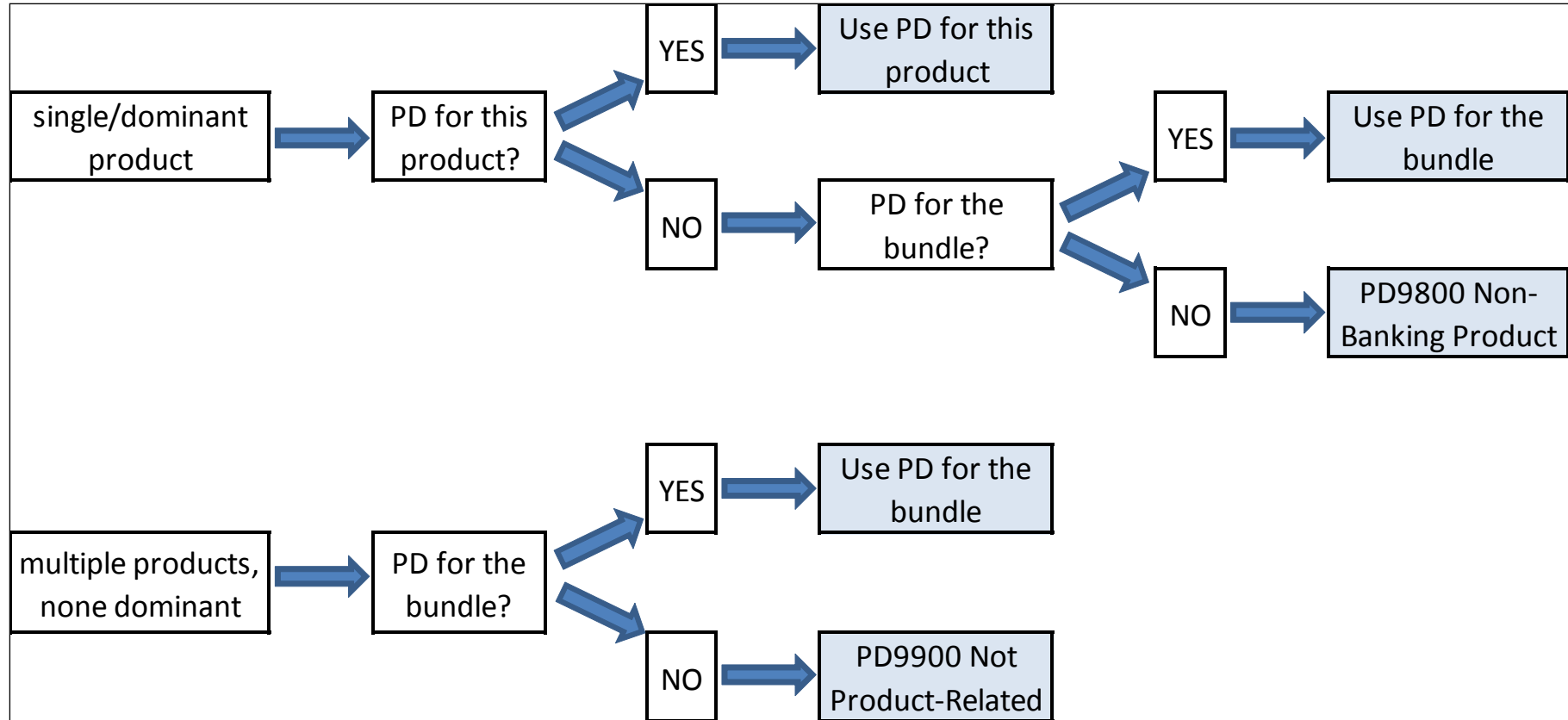


Figure 2 - Decision tree for losses involving Retail Cash Management, Commercial Cash Management, and Servicing Third-Party Investments

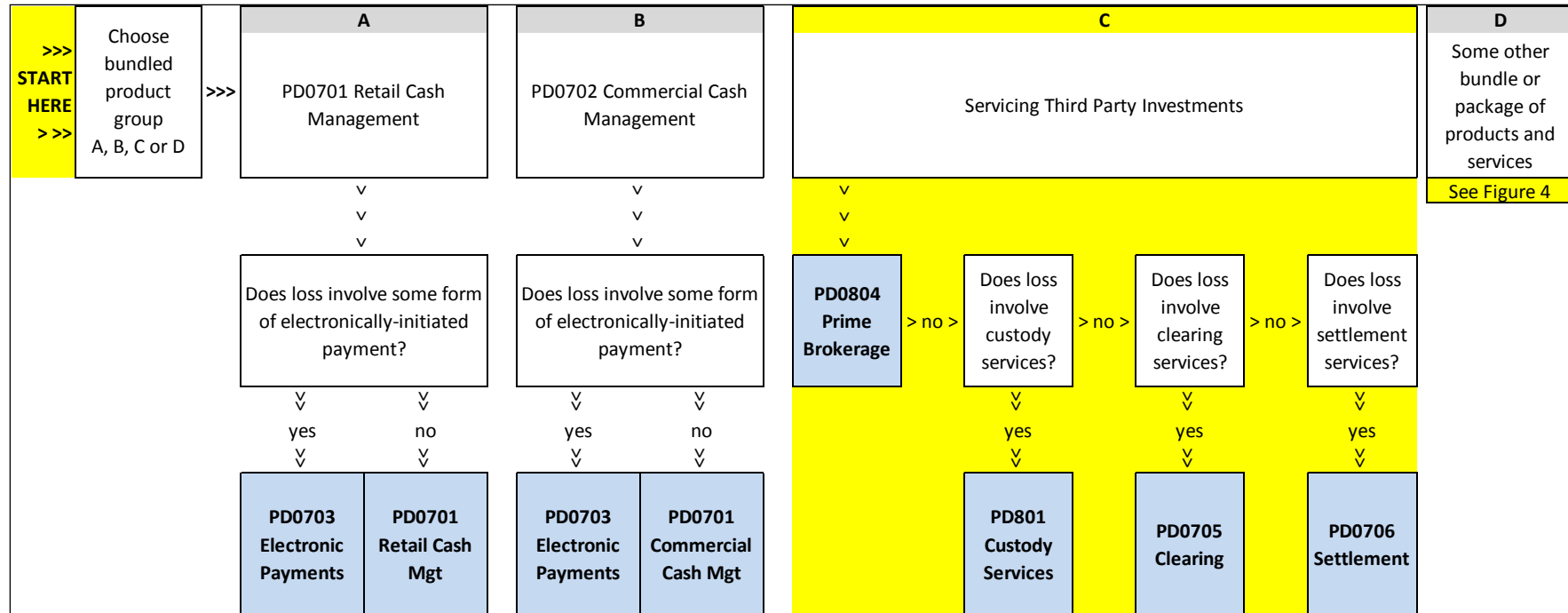
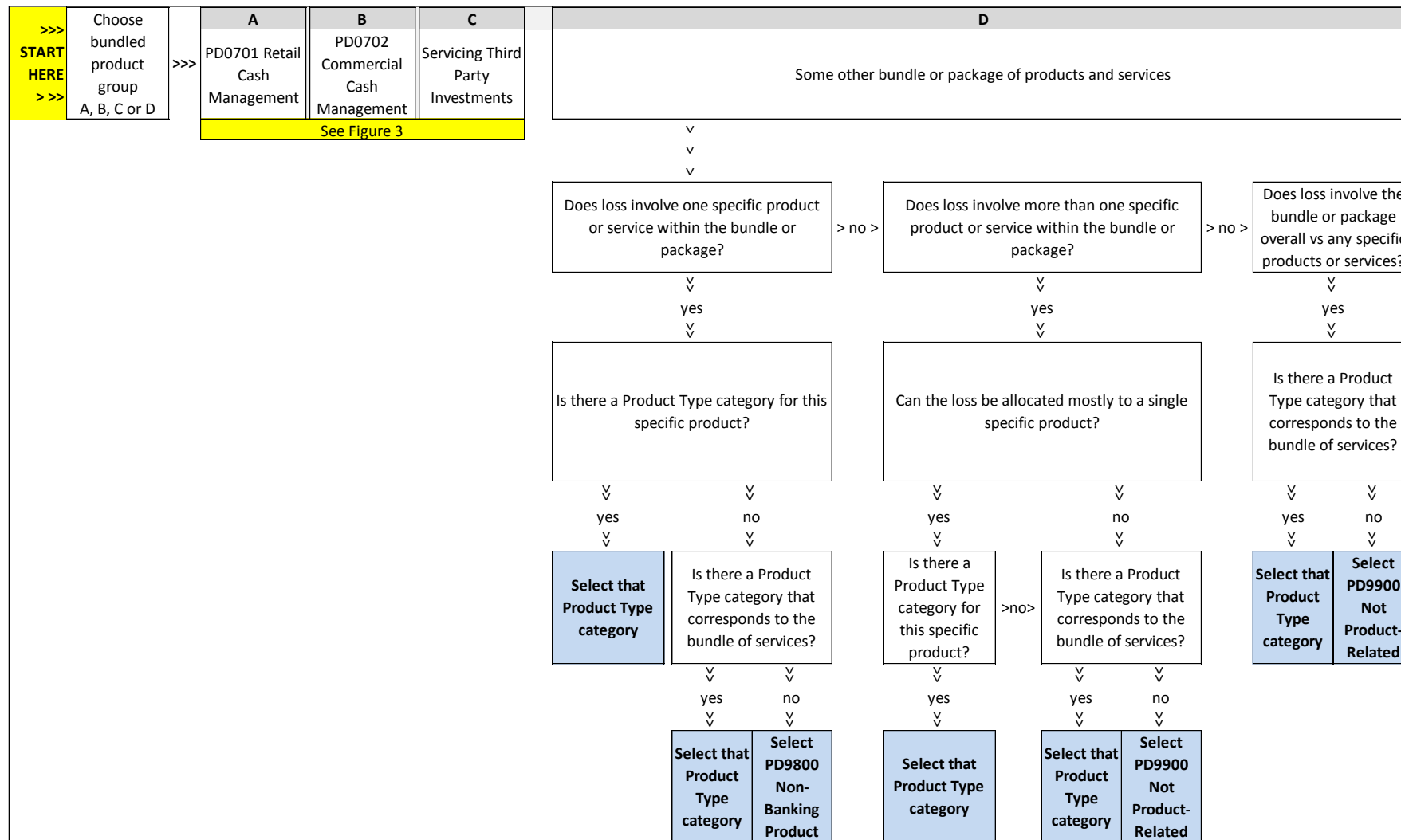


Figure 3 - Decision tree for losses involving other bundles or packages of products and services



5. PROCESSES

The additional details below relate to Section 5.4 of the ORRS (2011 edition).

Definition: A business process is as a set of coordinated tasks and activities that will lead to accomplishing a specific organisational goal; i.e. a sequence of interdependent and linked procedures which consume one or more resources (employee time, energy, machines, money) to convert inputs (data, material, parts, etc.) into outputs. For classification purposes ORX defines two sets of process groups.

The general objective of the process type attribute is to:

- increase the understanding of the nature of losses,
- facilitate an improvement in transparency within a Member,
- identify sources of loss concentrations,
- identify chronic or recurring weaknesses, and
- promote value-added dialogue with the businesses and functional areas regarding the impact of their operational risk experience and potential operational risk exposure.

Requirement: ORX requires the classification of all losses against Level 1 of the process types to be performed as follows:

Assign the (first) process type that was being performed / impacted when the operational risk event (not the OR loss!) occurred:

- consider which stage of the transaction/value cycle was being completed;
- only if the transaction / value cycle was NOT impacted then consider which aspect of corporate activity was taking place.

Where multiple processes were affected simultaneously, select the process step to which the event contributing the bulk of the Gross Loss value can be attributed. Where no process was involved or where the event was so widespread that specifying individual processes would no longer be relevant or would add little or no value, a classification as 'not process related' (e.g. branch or ATM robberies, natural disaster etc.) is allowed.

Transaction Life Cycle

Level 1	Name	Description
PC0100	Develop, Design and Maintain Products or Services	Identify, design, and produce new financial products, services and capabilities, including the models and methodologies upon which they are based. Products & Services is intended to encompass revenue-generating activities from third-parties. It also includes the maintenance of existing products, for example developments in models and methodologies.
Process Examples		
<ul style="list-style-type: none"> • Design (or acquire/license) products, including associated models / methodologies; • Conduct product due diligence (initial and periodic), including reviews, approvals, suitability restrictions, disclosure requirements, eligibility criteria • Extends to the assessment of all relevant product risks: market, credit, legal/regulatory, business/ economic, reputational, operational, fiduciary, liquidity, etc. • Establish product sales targets, strategies, staffing plans, activity limits, etc. • Develop business requirements for product-specific IT applications • Establish and maintain product and service-specific infrastructure (non-IT sense) - pricing grids, documentation requirements, policies, procedures, SPVs/conduits (not transaction-specific) • Establish and maintain linkage with market utilities such as clearinghouses, exchanges, etc., needed for general business capability • Establish/maintain general infrastructure (non-IT sense), non-client reference data, third-party distribution arrangements 		
Level 2	Name	Description
PC0101	Market Analysis or Research	Research and analyse market needs and competitive offerings; Research and evaluate market segments and strategies; Generate and screen new and revised products and services; Develop preliminary product and service definitions
PC0102	Product Development	New Product development; Product Maintenance; Selection of third-party products; Develop contractual terms / forms; Structuring / Pricing; New Product roll-out /

		Infrastructure
PC0103	Reference Data Management	Product static data maintenance e.g. ISIN codes
Notes		
<ul style="list-style-type: none"> • Differentiation is made between product infrastructure and transaction infrastructure. Multi-transaction conduits have been placed in this category; but setting-up special structuring for bespoke transactions has been included in Deliver Products & Services. • Reference Data management is placed in this category as part of the .general infrastructure needed to do business, i.e. non-client reference data such as static securities info (e.g. CUSIPs), market reference data (e.g. interest rates and prices, trading day calendars, holiday calendars, etc.). Reference data management is treated separately because of its cross-functional characteristics and .multiplier effect. when errors occur. 		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> – Shortly after launch of a new cross-border product, it is determined that the infrastructure supporting the product is not adequate to meet AML requirements. Use of the product is suspended until improved infrastructure can be developed. Costs of the initial infrastructure development and the initial launch are written off. – Errors, oversights or shortcuts in due diligence lead to a product with legal, tax or jurisdictional problems. The product is terminated. Costs related to development of the product are written off. – Modifications to a widely-used product and system changes supporting the modifications are implemented without providing any training to branch employees. When numerous errors result, it is decided to revert to the original product and systems until such time as training can be developed and rolled out. A six-month delay in launch of the modified product results. As well, planned service charge increases are deferred. 		

Level 1	Name	Description
PC0200	Market Products and Services	Promote the firm and/or its products and services, through general marketing or advertising, including the publication of standard fees, rates charges, and prices for specific products and services.
Process Examples		
<ul style="list-style-type: none"> • Promote the firm and/or its products, services or capabilities through general marketing or advertising • Promote the firm and/or its products, services or capabilities through non-transaction-specific presentations to individual clients • Provide non-fee-based research to current or prospective clients • Publish standard fees, rates charges, and prices for individual products and services (does not include the quotation of specific prices in bespoke situations) 		
Level 2	Name	Description
PC0201	Research - Marketing	Particular market strategy - for example inflation is going up, bond yields are expected to go up so sell long maturity bonds.
PC0202	Publishing Prices quotes	This includes, but is not limited to, the publication / reporting of prices on web sites/ portals and Exchanges, Media (Reuters, Bloomberg and Newspapers), Industry Groups, and Commercial entities (Markit)
PC0203	Marketing - Other	Advertise, position and promote products and solicit customers directly and indirectly and manage cross business marketing.
Notes		

Examples of Events being allocated to this Process Type

- A new service-pricing brochure containing a significant error is published and mailed directly to all retail customers. Under pressure from consumer interest groups and regulators, the bank decides to honour the erroneous pricing for the period the error was public plus the required disclosure/ notification period for pricing changes.
- Marketing presentations are made to a group of clients for a new product that will compete directly with a new product recently launched by another bank. The clients in question are considering signing on with the other bank because of extremely favourable product launch pricing. That the product is not yet available is not disclosed to the clients. Based on the presentations, some clients decide to stick with the bank. When the product is terminated, clients complain to the regulators. The bank is fined for failure to disclose and for misleading marketing and selling practices.

Level 1	Name	Description
PC0300	Sell or Reach Agreement to Conduct Specific Business	Sell or offer specific products and/or services of the firm in discussions with individual clients, including the quotation of firm or indicative fees, rates, charges, prices, or the like, with the intent of concluding a specific deal for specific product sales or service delivery.
Process Examples		
<ul style="list-style-type: none"> • Discuss specific products or services with a specific client, with the intent of reaching an agreement to do specific business • Quote specific prices, fees, rates, etc. • Provide transaction-specific disclosures and disclaimers (including via prospectuses, tax or placement memoranda, or similar disclosure documents) • Conduct transaction-level due diligence, suitability reviews and screening • Confirm the bank's capacity to enter the transaction (e.g., checking credit, concentration and/or activity limits) • Obtain transaction-specific approvals • Amend or renegotiate existing agreements 		
Level 2	Name	Description
PC0301	Advisory or Pitch or Pre-Sales	In relation to a specific transaction with a specific customer or group of customers. This could range from a project finance proposal to advice to an individual retail investor.
PC0302	Pricing & Quotation	Providing a transaction price or indication that may only be applicable for a finite time period.
PC0303	Transaction or Limit Check	The process of checking limits, facilities and available balances during transaction execution, as well as the updating of utilisation of such limits and facilities. It includes obtaining specific clearance or authorisation to action an instruction or order received or transaction being contemplated.
PC0304	Reach Agreement or Receipt of Order	Explicit acknowledgement from the counterparty that the specific / individual transaction can proceed under the agreed terms.

Notes

- This process ends with an agreement to proceed (or to not proceed if either the firm or the client declines to enter into the agreement).
- In commoditised product or service offerings, the general customer or services agreement may predetermine many transaction specifics (incl. Standard rates and fees). In such cases, the scope of sales talk may be greatly reduced, or even eliminated.
- In certain automated or routine transactions the customer's indication of agreement may be subsumed in the act of logging onto a transaction processing system (such as an ATM or on-line facility) and entering data or initiating an action. In such cases, both the terms of the agreement and the decision to proceed may be implicit. This category is intended to capture risks that arise from activities in which transaction-level sales talk, representations, etc., do exist.
- Sales and Marketing have been separated at members. Boundary cases may be subtle, but substantial risk examples exist in each area

Examples of Events being allocated to this Process Type

- Bank is sued because of alleged deficiencies in due diligence or prospectus related to an offering of securities.
- A glitch in the price feeds in the trading system results in incorrect prices being quoted to the client. The bank honours the price quoted to the client and takes a loss on the transaction.
- Bank's underwriting procedures were not followed or not followed completely; loans would not have been extended if procedures had been followed.
- An investment product with a two-tiered return structure is sold to clients without full disclosure of the conditions which must be met to be eligible for the higher return.

Level 1	Name	Description
PC0400	Take on and Maintain Counterparties	Onboard and maintain client or counterparty accounts, including related due diligence, data and documentation. In this context Counterparties includes Clients / Customers and Trade Relationships.
Process Examples		
<ul style="list-style-type: none"> • Establish and manage relationships with clients, customers, counterparties and trade relationships, in support of existing business or in preparation for potential new or additional business in the future • Trade relationships include distribution channel relationships that are neither (i) voluntary outsourcing or vendor arrangements, nor (ii) linkage to market utilities (exchanges, etc.), both of which are treated separately • Conduct initial KYC/due diligence (non-transaction/service-specific) • Document relationship with client, customer, counterparty or trade relationship (non-transaction/service-specific), including: <ul style="list-style-type: none"> – Record static client information (names, identifying numbers, custodian associations, etc.) – Record account elections / beneficiary designations – Document standard settlement instructions (SSIs) – Execute non-transaction/non-service-specific client agreements (e.g., client master agreements, ISDAs) – Set up and approve internal exposure limits (e.g., aggregate credit or concentration exposure ceilings) • Conduct periodic relationship review and KYC/due diligence (non-transaction/service-specific) • Coordinate service delivery to client across products or services • Managing dormant accounts, claims against client assets, and unclaimed assets • Manage renegotiations and management of delinquent accounts (and, if unsuccessful, special loans, workouts, foreclosure, recovery, etc.) 		
Level 2	Name	Description
PC0401	(New) Client Account	<p>Client due diligence (KYC); Client Mandate / Authority; Client Static Data / SSI; Completion of General Agreements:</p> <p>The on-boarding of new customer/client/counterparties relationships, including the account relationship management, the identification and documentation of customer information and related terms of business, as well as the ongoing review and relationship management. Specifically includes know-your-customer requirements and customer identification. It specifically excludes any form of credit assessment.</p>

PC0402	Customer Relationship Management or Client Services	Process of managing the relationship with the counterpart, for example interview of retail clients by branch management or surveys. For larger accounts this may include a certain amount of entertainment.
PC0403	Client due Diligence	Client-related credit screening and decision; Review creditworthiness (annual) / Rating Review
PC0404	Loan Defaults	Monitions; Sanctions; Apply Collateral: The closure of facilities provided and the repayment of obligations due through the collection and realisation of assets held, ceded or due as security and/or collateral, following an adverse credit event. Includes repossession and foreclosure.

Notes

- This process type may occur before, during or after sales negotiations; in case of single-product or single-service contact with client, no separate client master agreement may exist.
- Customer/client relationships and trade/distribution channel relationships included here. Includes execution intermediaries such as brokers, prime brokers, executing brokers, custodians/sub-custodians for client positions, etc.
- Suppliers and outsourcing are treated separately. Includes vendors, sales agents, processing agents, outside service providers, sub-custodians appointed by the firm
- Potential additional distinctions among relationship groups left for Level 2 discussion

Examples of Events being allocated to this Process Type

- The new manager of one of the bank’s investment offices identifies apparent irregularities with the annual investment reviews for several elderly clients managed by a particular investment advisor. There is no evidence of contact with or from these clients for several years, yet annual reviews have been signed off by both the investment manager and the previous branch manager. As well, the manager’s review identifies that there has been periodic withdrawal activity in the accounts over the years, coinciding with the scheduled annual review date. Further investigation shows that dividend and coupon income in the accounts was being transferred to an offshore account beneficially owned by the investment manager and the branch manager.
- Staff in the loan workout group are struggling to deal with sustained increased volumes in delinquent accounts. In several situations, action is not taken quickly enough to protect the bank’s position.

Level 1	Name	Description
PC0500	Capture and Document Transactions	Record transaction-specific terms and instructions in the processing systems of the firm; also produce related transaction documents.
Process Examples		
<ul style="list-style-type: none"> • Document all aspects of the transaction-specific agreement between the bank and its client/counterparty with respect to a product or service offering (including amendments) • Capture detailed terms of the undertaking in the transaction recording systems of the bank • Prepare and execute agreements and other documents embodying the agreement • Confirm/affirm and verify transaction details 		
Level 2	Name	Description
PC0501	Capture Transactions	Enter transaction data into internal and market systems as necessary.
PC0502	Confirm and Document Transactions	<ul style="list-style-type: none"> • Authentication Checks; Client Reporting / Desk Confirm; Final Confirmation; Confirmation Matching: • The process of preparing, producing, authorising, executing and protecting all forms of transaction receipt or advice, documentation, legal contract or acknowledgement and agreement, excluding routine account/activity statements.
Notes		
<ul style="list-style-type: none"> • Includes receipt and local recording of client-generated instructions or trade specifications via electronic or straight-through-processing (STP) means. • For commoditised services, the general customer agreement may predetermine many transaction specifics (incl. standard rates and fees), eliminating the need for case-by-case documentation. In such cases, the scope of transaction capture is narrowed. 		

Examples of Events being allocated to this Process Type

- Trades put in backwards; for wrong amount, wrong counterparty, wrong security, on wrong exchanges, with wrong dates, etc.
- Discrepancies between documentation (contract) with client and:
 - Interest rate paid on savings accounts;
 - Calculation method for interest on term deposits;
 - Service charges levied on bank accounts.
- Fraud by client, banker or third-party involving false documentation.

Level 1	Name	Description
PC0600	Deliver Products or Services	Deliver or fulfil agreed-upon products and services, including the set-up and maintenance of transactions and required arrangements, and agreed-upon non-transaction financial services (trust administration, financial advisory services, sale of research as a product, etc.).
Process Examples		
<ol style="list-style-type: none"> 1 Enable financial transactions (both client and proprietary) <ul style="list-style-type: none"> • Take preparatory steps to fulfil financial transactions (involving changes in ownership of financial assets, borrowings, derivatives contracts, etc.); but excluding data capture/ documentation and actual settlement (categorised separately) • Provide for the transaction-related physical delivery of securities, commodities, etc., where applicable • Arrange for the availability of assets in lease programs • Establish transaction-specific structures and facilities (such as SPVs, debt or securities syndicates, etc.) 2 Maintain financial transactions and proprietary assets <ul style="list-style-type: none"> • Maintain outstanding financial transactions • Maintain outstanding proprietary assets • Implement rate resets, rollovers, and the like • Calculate and schedule periodic payments, fees and accruals • Manage transaction amendments • Manage collateral/margin (accept collateral, establish security interests, monitor positions and issue collateral calls) • Manage voluntary/involuntary corporate actions and option exercises on proprietary assets • Mark positions to market • Manage portfolio positions (hedging, etc.) • Manage asset retirement, unwinds • Manage post-transaction asset-disposal activities (bank-owned assets resulting from leasing, foreclosure, collateral quit-claim, etc.) 3 Maintain client assets and deliver non-transaction-based financial services for a fee <ul style="list-style-type: none"> • Book, hold, manage and provide safekeeping for client assets (electronic or physical) as a fee-based activity • Includes monitoring, voluntary/involuntary corporate actions and option exercises • Perform fee-based tax, accounting or financial management services for clients (e.g., cash management services such as account sweeps, 		

automatic investment of surplus balances, bulk payment/debit services, lockbox; payroll processing, cash/coin supply, etc.) <ul style="list-style-type: none"> • Deliver financial recommendations/reports/research (e.g., financial and investment advisory) • Perform fee-based trust and fiduciary services • Prepare and provide valuations and periodic statements/ reports for clients on positions and underlying activities 		
Level 2	Name	Description
PC0601	Order Routing	The receipt, documentation and actioning of instructions or orders from all parties, across all distribution channels. It includes any subsequent management and monitoring of unactioned or unexecuted instructions and orders (would include the presentation of a cheque or card, or the receipt execution of a market order). The completion of this business function typically initiates further processing and operational activity.
PC0602	Execution or Order Fill	Process of actually executing or filling the order, for example making funds available to a borrower via a loan account, pre-authorising an overdraft facility, completing a transaction with a counterpart (internal or on the floor of an exchange or electronic marketplace).
PC0603	Position or Portfolio Mgt (proprietary)	Exposure Management; Limits; Hedging
PC0604	Cash, Stock & Securities Mgt	Borrowing/Lending; Short Covering; Cash / Liquidity Projections; Nostro and Vostro Management
PC0605	Event Management or Corporate Actions (own assets)	Dividends / Coupons; Tax Reclaims; Bonus / Rights; Conversions; Exercises / Barriers; Maturity / Expiration; Fixing / Price resets
PC0606	Fees Admin, Calculation & Application	Bill clients/customers for products and services performed per contractual agreements; Charge client/customer accounts and/or collect fees; Arrange payments to trade counterparties; Arrange interim and final payments per specific transaction schedules e.g. Interest Rate Swaps, Loans, Salaries

PC0607	Calculate & Apply Interest	The calculation of interest due or payable over relevant periods on the requisite basis and the application of that interest to the loan, deposit, account, product or position to which it applies.
PC0608	Collateral Management	Acquisition of Collateral; Assessment of Collateral; Collateral Mgt (other): The real-time or periodic valuation of exposure to collateral, collateral held, and margin required and the calling for margins and collateral and collateral acceptance.
PC0609	Product Control	Realised P&L; MTM / IPV; Market Conformity; Provisions / Reserves; Customer Spreads Incorrect allocation of asset / liability between Trading Book (held for sale/purchase) and Banking Book (held to maturity). Incorrect (but approved) model used to value position (asset or liability).
PC0610	Portfolio Mgt (client assets)	Segregation of client assets from those of the bank, following the clients instructions for assets held for safekeeping
PC0611	Event Management or Corporate Actions (client assets)	Dividends / Coupons; Tax Reclaims; Bonus / Rights; Conversions; Exercises / Barriers; Maturity / Expiration; Fixing / Price resets
PC0612	Safekeeping of Client Assets	Physical Safekeeping of Client Assets; Electronic Safekeeping of Client Assets; Filing / Documentation required
PC0613	Advisory Services	The provision of any form of advisory service, as well as the general offering of advice, to external parties. This function markets products which are usually offered on a revenue generating basis.
PC0614	Customer Statements	Assessment of non-transaction related client statements; Prepare and send customer statements

Notes

Three-stream approach recognises:

- Three broad categories of fulfilment/delivery: enablement of transactions, maintenance of transactions and proprietary assets, provision of non-transaction services for a fee.
- Differentiation between client and proprietary activities.
- Providing research for a fee is considered service delivery. Research in support of sales (not for a direct fee), in-house trading, product development or marketing, etc. are not, and are included in the related categories. Includes receipt and local recording of client-generated instructions or trade specifications via electronic or straight-through-processing (STP) means.
- For commoditised services, the general customer agreement may predetermine many transaction specifics (incl. standard rates and fees), eliminating the need for case-by-case documentation. In such cases, the scope of transaction capture is narrowed.

Examples of Events being allocated to this Process Type

Process Example 1

- An order for new tractor trailer units related to a fleet lease transaction with a major client is duplicated in error. The bank is able to offload some of the surplus units to another client but is forced to hold several other units.
- Rogue trading situations – unauthorised trades, counterparties, markets, instruments, jurisdictions, etc.

Process Example 2

- Collateral backing Lombard Credits is not monitored; client falls out of margin but no collateral call is made; client defaults.
- Valuation adjustments required because of incorrect pricing/valuation models.
- Refinancing fees on residential mortgages were calculated incorrectly over a period of several years; clients who refinanced their mortgages during this time were either overcharged or undercharged. When the error is finally detected, the bank decides to reimburse clients who were overcharged. No retroactive charges will be made for clients who were undercharged.

Process Example 3

- Assets given in for custody by a new client are lost.
- Delay in dealing with a corporate action notice; client decisions are not advised within the deadline; bank makes clients whole.
- A backlog in the corporate trust area results in out-of-date stockholder lists being used for payment of extraordinary dividends.
- Systems failure in the prime brokerage unit; the unit is unable to meet its service-level obligations and is required to pay penalties to clients.
- A junior employee purchases ineligible securities for the account of an institutional client with a restricted investment mandate. The bank is unable to sell these back into the market and is required to hold them until liquidity returns to the market.

Level 1	Name	Description
PC0700	Perform Settlements and Closing Activities	The definitive exchange or transfer of assets, currency or other property (commonly in exchange for value), and related transactional mechanics.
Process Examples		
<ul style="list-style-type: none"> • Exchange value with respect to a financial transaction <ul style="list-style-type: none"> – Includes transactional exchanges, such as securities/cash, securities/securities, cash/cash, instrument/cash, deed/cash – Exchange methods may include physical delivery, free wires, DVP, etc. • Move cash or assets in banking or account-related transactions (cheque or cash deposits/withdrawals/funding of loans, etc.) • Make and receive fee payments in exchange for services • Redeliver collateral, release lien claims <ul style="list-style-type: none"> – Transition-out of assets (mandate lost) – Manage settlement fails 		
Level 2	Name	Description
PC0701	Payment or Delivery (non-cash/non-physical)	Clearing; Payment; Draw-downs; Deliveries from account to account, payments via credit card terminal
PC0702	Cash Payment or Physical Delivery	Retail Foreign Exchange with physical transfer of notes or coins; Physical securities or coupons. Depositing physical cash into a bank account. ATMs
PC0703	Fails Management	The activities around monitoring that payments or deliveries (physical or account transfer) have proceeded as expected. For example that funds have been transferred into an account on the due date in exchange for the delivery of securities.
Notes		

Examples of Events being allocated to this Process Type

- Settlement breaks/fails are not identified because of a reconciliation backlog; bank makes clients whole.
- Wire payments made to wrong counterparty, in wrong amount, in wrong currency, etc.
- Counterfeit bonds accepted against cash.
- Loans disbursed to wrong counterparty.

Level 1	Name	Description
PC0800	Perform Transaction Accounting	Record transaction and/or position information in the firm's accounting records/general ledger. Includes records management and archiving transaction details.
Process Examples		
General Ledger Entries		
Level 2	Name	Description
PC0801	Transaction Accounting	All forms of general ledger record keeping associated with transactional activity, including accounting for transaction activity, holdings, positions or provisions and the generation of account balances. Includes records management and archiving transaction details.
Notes		
<p>Does not include entries made into trade processing systems that directly feed the general ledger, with no separate accounting data entry or position maintenance.</p> <p>Does not include an error with a client's accounts which may belong to PC0501 "Capture Transactions", for example charging the wrong client's account.</p>		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> - Entries not made, duplicated, made in wrong amount, made to wrong account, made in wrong currency - Intra-company entries made to wrong units - An ATM transaction will generate automated entries to the General Ledger - an error in the General Ledger entries 		

Corporate Activities

Level 1	Name	Description
PC0900	Manage Human Resources	Manage human resources, apart from direct business management functions.
Process Examples		
<ul style="list-style-type: none"> • Recruitment • Skills management programs • Compensation and benefits program management • Performance and behaviour reviews • Succession planning • Diversity management • Labour-management relations 		
Level 2	Name	Description
PC0901	HR Management	Recruitment; Personnel advisory services and development; Staff Departures; Training & Development
PC0902	Remuneration, Expenses and Payroll	Payment of salary / bonuses; Other Payments
PC0903	Travel Accidents	A member of staff while travelling on company business falls ill (physical or mental) or incurs an injury, including death.
PC0904	Other HR Issues	

Notes

- Does not include day-to-day supervision and task management.
- Process and controls training is considered a part of each business function, not a separate HR activity.
- Compliance training is treated separately

Examples of Events being allocated to this Process Type

Most events involving this Process Type will relate to lawsuits or settlements alleging inappropriate behaviour or practices by bank employees or management with respect to interaction with employees or HR management.

Level 1	Name	Description
PC1000	Manage Information Technology	Acquire or design/develop information technology and implement security and incident response measures.
Process Examples		
<ul style="list-style-type: none"> • Acquisition, installation, or development of software applications • Management of off-line technology developments (user-generated spreadsheets, macros, etc.) • Systems security • Provision of data and communication networks and infrastructure • Procurement of information technology hardware • Management of technology obsolescence • Management of technology incidents and events 		
Level 2	Name	Description
PC1001	IT Development and Maintenance (including IT Project Mgt)	The development of software applications, the implementation and subsequent maintenance and upgrading of applications, as well as the project management of application projects.
PC1002	IT Implementation	The implementation / installation of software and/or hardware in accordance with the instructions. Wiring a plug for a printer, matching software applications and the operating systems. This can be for software built by the Member or a purchased application
PC1003	IT Purchasing	The specification of the IT requirements, which are filled by the counterparty. Specification of guarantees, performance standards, resilience etc.
PC1004	IT Security	Access Rights; Monitoring; Architecture & Strategy: The establishment and maintenance of all forms of technology security, including internal and external user definition and maintenance, as well as creating and maintaining infrastructures to preclude unauthorised access and access attempts.
PC1005	Implement and Maintain	The provision, installation and ongoing maintenance of all forms of technology infrastructure and networks, as well as the establishment and ongoing upgrading of

	Infrastructure & Networks	technology architectures.
PC1006	IT Production	The provision of capacity for processing regular tasks in a batch or real-time processing. That the applications function as expected.
PC1007	Mgt of IT Incidents or IT Support or Hotline	The establishment of technology back-up, restoration, storage and minor technical problem resolution procedures and facilities, the training of technology staff in technology safeguard and continuity processes and the ongoing performance of back-up, storage, restoration and maintenance activity. This business function is a routine process which differs from significant or large-scale technology failures which would initiate business continuity crisis management.
Notes		
Technology incidents - this refers to day-to-day support of technology operation not requiring invocation of continuity or recovery plans		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> - The bank's ATM system crashes during an upgrade to the ATM system software. The system is unavailable to clients for three days. - A new client management application for commercial account managers recently acquired turns out to be inadequate for their needs. The system is scrapped. 		

Level 1	Name	Description
PC1100	Manage Financial Reporting and Taxation	Perform financial reporting and control, based on (but not including) general ledger entries made during Transaction Accounting.
Process Examples		
<ul style="list-style-type: none"> • Budgeting and forecasting • Financial accounting and reporting • Management accounting and reporting • Financial control • Tax reporting and management • Asset and liability classification and accounting treatment (depreciation, write-down, etc.) 		
Level 2	Name	Description
PC1101	Budgeting & Forecasting	The development of various cost and revenue budgets, the ongoing collection of actual cost and revenue information over time and the comparison thereof against budget, the revision of budget and forecast values and performance measurement and reporting against budget.
PC1102	Management Accounting	Management Accounting – P&L, Balance Sheet, Cashflow; Intercompany cross-charging
PC1103	Management Reporting	Key performance metrics for the group, location, business, or activity. Includes risk-related metrics.
PC1104	Financial Accounting & Reporting	Financial Accounting; External Financial Reporting
PC1105	Taxation	The calculation of taxes and duties applicable on both internal and customer activity, the withholding or deduction of such taxes and dues and the payment or recovery of taxation amounts to/from the applicable fiscal authorities.
Notes		
Does not include financial services performed on a fee basis for clients.		

Examples of Events being allocated to this Process Type

- Inaccurate tax reporting is done. Bank is fined by the tax authorities.
- Physical assets are recorded in both the business unit's records and the bank's head office corporate records; these are not reconciled on consolidation of records for depreciation and financial reporting purposes.
- Flaws in the budgeting and forecasting models result in the aggregated budget and forecast for the bank overall being understated.

Level 1	Name	Description
PC1200	Manage Capital, Funding & Liquidity	Manage the firm's capital account, liquidity and balance sheet.
Process Examples		
<ul style="list-style-type: none"> • Issuance of debt and equity • Stock buy-back programs • Asset-liability management • Proprietary investments • Securitisation of firm assets • Capital account management/hedging • Liquidity management 		
Level 2	Name	Description
PC1201	Capital Management & Funding	The management of the make-up of capital, including using securitisation and buy-back programs. This function includes asset liability management. It may also include the calculation and allocation of capital at risk. Funding includes short-term refinancing and liquidity management.
PC1202	Management of Corporate Investments	Investments in Physical (e.g. buildings) and Financial Assets (e.g. Leases) involving the firm's equity and the investments are not available for immediate sale. Management Accounting; Intercompany cross-charging
Notes		
<p>Broadly includes vendors and suppliers, sales agents, bank/FI-appointed sub-custodians; excludes market instrumentalities, clients and trade channel counterparties</p> <p>In terms of Business Lines, this category may be linked to Trading & Sales / Treasury (BL0204) or / Corporate Investments (BL0203)</p>		

Examples of Events being allocated to this Process Type

- A flaw in the liquidity forecasting model results in the bank having to make unplanned supplementary liquidity arrangements, incurring additional costs.
- Incorrect coding in several loan portfolios results in incorrect term information being used to manage the asset-liability balance. The bank incurs additional costs to unwind inappropriate hedging arrangements and structure new ones

Level 1	Name	Description
PC1300	Manage Suppliers and Outsourcing Service Suppliers	Selection, on-boarding, management, and oversight of third-party vendors and outsourcing service providers.
Process Examples		
<ul style="list-style-type: none"> • Screening, assessment/due diligence • Selection, appointment • Oversight, monitoring, and periodic review • Negotiation and renegotiation of contracts and service-level agreements • Accounts payable management 		
Level 2	Name	Description
PC1301	Take on Suppliers & Outsourcing	Selection of suppliers including service providers in outsourcing, including selection and suitability assessment, credit reviews. Contract negotiation, payment and other instructions.
PC1302	Conclusion of Contract	Ensuring that contractual processes are completed, for example return or destruction of confidential information, on-going liability etc.
PC1303	Management & Monitoring	All forms of vendor management, contract management, review, service-level agreement management, outsourcing management and vendor reporting. Includes accounts payable management.
Notes		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> – Employee in central purchasing department has been taking kickbacks from suppliers; cost of kickbacks reflected in increased contract costs. – A key clause related to consolidated reporting on premises issues is omitted from the contract with the bank's primary facilities management company. As a result, the bank incurs additional costs to compile this information in order to have a complete picture of its operational risk experience and meet its reporting commitments to ORX. 		

Level 1	Name	Description
PC1400	Manage Physical Assets and Facilities	Provision and management of physical facilities, equipment and safe workplace environments.
Process Examples		
<ul style="list-style-type: none"> • Provision of physical facilities, furnishings and supplies • Provision of non-communication utilities (heating, electricity, water, waste removal, etc.) • Provision of motor vehicles (for employee use) • Physical security and surveillance with respect to properties and workplace environments (both on-premises, off-premises on company business, and where applicable during commutation) • Environmental and pollution responsibilities related to company workplaces or properties 		
Level 2	Name	Description
PC1401	Facility Management	The provision of all forms of facilities, the management of property, lifts, air conditioning ducts, lighting, electrical wiring, plumbing and other
PC1402	Fleet Management	Transport fleet
PC1403	Office Equipment	Operate the Asset ledgers for assets that can be moved and are not part of the physical structure of the building (lifts, air conditioning ducts) computers, printers, photocopiers, chairs, desks, filing cabinets, shredders. Maintenance and replacement programs.
PC1404	Health & Safety	Physical work environment – walls, doors, lifts Physical work activities e.g. lifting heavy objects, repetitive strain injuries
PC1405	Physical Security	All physical and electronic security measures taken to safeguard staff, facilities, premises and assets. (Excluding IT Security PC1004)
PC1406	Environmental Protection	Atmospheric conditions and qualities – temperature and humidity of the workplace, toxic substances – solvents, asbestos, bacteria and viruses. Water quality including toxic substances.

PC1407	Other Internal Services	Other
Notes		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> - In order to cut down on taxi costs, early last year, the bank implemented a shuttle for employees who need to travel between several downtown office locations for meetings. A fleet of small buses was acquired for this purpose. Recently, one of the shuttles was involved in a serious accident. Several passengers were seriously injured and two were killed. Because one of the injured passengers was not an employee [even though the shuttle was supposed to be restricted to employees], the bank’s insurance company has declined to pay claims related to the accident. The bank is being sued by the passengers affected. - A set of new security cameras is accidentally dropped during installation. They are damaged beyond repair and must be replaced. 		

Level 1	Name	Description
PC1500	Manage Compliance, Legal, Governance and Audit	Establish and maintain firm policies, standards, procedures, codes of conduct, and associated compliance controls and testing procedures.
Process Examples		
<ul style="list-style-type: none"> • Policy development and dissemination • General corporate governance • Code of conduct affirmation by employees • Compliance monitoring and testing • Whistle-blowing protections • Compliance training • Legal advisory and litigation management • Audit and investigations • Non-financial regulatory reporting. 		
Level 2	Name	Description
PC1501	Policies, Governance & Monitoring	The establishment and maintenance of all policies, procedures and controls, and their documentation and review. Training in, monitoring of and reporting on conformity with policies, procedures and controls. This includes provision for whistle blowing, where required. It includes compliance with regulatory requirements and internal policies and procedures.
PC1502	Non-Financial Regulatory Reporting	The reporting of compliance with regulatory requirements other than those concerned with financial performance. Includes reporting of compliance with security, privacy, money-laundering, consumer protection and fair lending regulations.
PC1503	Legal Advisory Services	All aspects of legal advisory services, offered both internally and externally.
PC1504	Litigation Management	The initiation, management and completion of litigation, as well as defence against external litigation efforts.

PC1505	Audit	All internal audit activity and the investigation of breaches in control, significant loss or suspected contravention of policies and procedures.
PC1506	Administration of mandates and directorships	Operation of Chinese walls. Register of counterparts “in play” that could be affected by insider dealing. Integrity in dealing with clients and awareness of potential bias. Register of directorships held by staff and executive. Provide advice on recusals.
Notes		
Examples of Events being allocated to this Process Type		
Most losses involving this category will relate to regulator penalties or fines for failures in these processes types.		

Level 1	Name	Description
PC1600	Manage Risk Systems	Establish risk management processes and methodologies (apart from standard business process and supervisory controls) to record, monitor, evaluate, control or manage risk exposures within the firm.
Process Examples		
<ul style="list-style-type: none"> • Develop high-level principles or frameworks regarding the acceptance and management of risk • Develop risk-specific regimes for recording, monitoring, evaluation, limits-setting, management, and back-testing of risk exposures to the firm (including credit, market, operational, liquidity, proprietary/business, model and other specified risks) • Establish and maintain insurance and third-party recovery programs • Business continuity management 		
Level 2	Name	Description
PC1601	Control & Oversight of Models and Methodologies	The oversight and management of the processes by which models are specified; the documentation and control of adoption for use; the validation; and the ongoing review of models and methodologies. It includes market risk, credit risk, liquidity, operational risk, capital calculation, pricing and valuation models. It includes models and processes for setting risk appetites, thresholds and limits.
PC1602	Insurance and Recoveries	The maintenance of effective insurance protection, whether internal or external, the regular review of insurance requirements, recovery against insurance cover where applicable, as well as any recovery from third-parties.
PC1603	Business Continuity Management	The assessment of impact, planning and plan testing necessary to ensure continuity of the essential business functions in the event of an incident and the support of the subsequent management of incidents and crises.
Notes		
<ul style="list-style-type: none"> • This category is intended to be narrow; applies to structured risk management programs; not to granular management oversight, supervision and process controls. • Business continuity management includes both workplace, infrastructure and technology recovery as well as crisis management. 		

Examples of Events being allocated to this Process Type

- Several recently acquired branches are unable to cope with severe weather conditions. The bank is required to send in an emergency ‘SWAT’ team to deal with recovery of the units and restoration of minimum levels of service.
- The bank incurs unnecessary costs when several subsidiaries ignore the bank’s policy on insurance coverage by purchasing policies that duplicate coverage provided under the bank’s umbrella corporate insurance programme.

Other

Level 1	Name	Description
PC9900	Not Process-Related	Used for situations where no specific process was involved.
Process Examples		
Level 2	Name	Description
Notes		
Examples of Events being allocated to this Process Type		
<ul style="list-style-type: none"> - Branch or ATM robberies. - Natural disasters. 		

6. LARGE LOSS EVENT ATTRIBUTES

The additional details below relate to Section 5.5 of the ORRS (2011 edition).

Definition: Large Losses reported to ORX are to have additional information. The additional descriptions include:

1. Alleged Causes
2. Jurisdiction / Choice of Law
3. Counterparty / Claimant Type
4. Role of the Firm
5. Environmental Volatility

A Large Loss is defined as a single or group of associated losses whose Gross Loss Amount is equal to or larger than €10,000,000.

The objective of this additional information is to:

- Increase the understanding of the nature of losses
- Improve the ability of Members to select relevant external losses for:
 - Scenarios and Risk & Control Self-Assessments
 - Inclusion in capital calculations or validation of capital estimates
 - Benchmarking businesses and functional areas regarding the impact of potential operational risk exposure.

Requirements: ORX requires the Large Loss Attributes to be provided at Level 2 for all large losses.

While the Alleged Cause may be the result of opinion, possibly supported by a decision tool such as root cause analysis, the other Large Loss Attributes are statements of fact, for example the role of the firm.

Due to the possible interaction between various Alleged Causes, firms may report 1 to 3 selections for this sub-category.

Level 1	Name	Description
CS0100	External	Actions by Agents External to the firm
Examples		
Level 2	Name	Description
CS0101	Not in use	
CS0102	Assault by Criminals / Terrorists	Phishing Attacks, Denial of Service, Various forms of Fraud by individuals or groups, including Mortgage Fraud
CS0103	Natural Disasters	Floods, Wind, Blizzard, Wild-fire, Storm Surge, Earthquake, Volcanic Eruption
CS0104	Man-Made Disasters	Utility Outage, Strike – Transport, Staff, Pollution
CS0105	Political / Social / Cultural Environment	Seizure of Assets, Change in acceptable “Norms”, Civil Strife / Riot / War, Special Interest Groups
CS0106	Actions of External Staff	Staff at Outsourcers / Suppliers
CS0199	Decline	Legal Counsel has advised against providing this information
Notes		
<ul style="list-style-type: none"> – Avoid duplication, look beyond apparent overlaps – In the case of a lawsuit or settlement, the Alleged Cause category selected should correspond to the underlying or alleged cause and not the dispute resolution mechanism - litigation 		

Examples of Events that may be associated with this Alleged Cause

- CS0102 could be linked to Event Types such as External Fraud (EL0200) and various types of physical damage
- CS0104 could be linked to Event Types such as Technology & Infrastructure Failure (EL0600)

Level 1	Name	Description
CS0200	People / Staff	Factors related to actions by Staff / Employees or Management of Staff / Employees of the firm or consolidated companies
Examples		
Level 2	Name	Description
CS0201	Inadequate Resources	Skills, Numbers of Staff, Loss of Key Staff
CS0202	Not in use	
CS0203	Criminal Activity by Internal or External Staff	Theft / Fraud / Damage to Systems
CS0204	Management / Control of Staff	Insufficient / Incorrect Communication, Insufficient Direct Supervision
CS0205	Human Error	Non-Deliberate - Mis-Understand, Mis-Interpret, Mis-Decision, Mis-Action
CS0206	Unauthorised Activity	Deliberate - Mis-Understanding, Mis-Interpretation, Mis-Decision, Mis-Action, or omission of action
CS0207	Workplace Environment	Controls / Displays, Tools, Protective Clothing, Shift Patterns, Workload
CS0299	Decline	Legal Counsel has advised against providing the information.
Notes		
<ul style="list-style-type: none"> - An approach is to look at the Event and work backwards to the Cause. For example, labour relations - Avoid duplication, look beyond apparent overlaps - In the case of a lawsuit or settlement, the Alleged Cause category selected should correspond to the underlying or alleged cause and not the dispute resolution mechanism - litigation 		

Examples of Events that may be associated with this Alleged Cause

- CS0203 could be linked to Event Types related to Internal (EL01) or External Fraud (EL02)
- CS0204 could be linked to Event Types related to Employee Practices & Workplace Safety (EL03)
- CS0206 could be linked to Event Types related to Internal (EL01)

Level 1	Name	Description
CS0300	Governance & Structure	Factors related to the Governance and oversight practices of the bank
Examples		
Level 2	Name	Description
CS0301	Remote Business Unit	Business taking place remotely from centre of Business and/or Risk functions
CS0302	Subsidiaries - Control & Consolidation	No clear delineation between activities conducted by different business units through the same legal entity or by the same business units through multiple legal entities.
CS0303	Financial Reporting	Failures in financial reports, failure to reconcile p/l accounts or daily cash flow, SOx (Sarbanes-Oxley) failures
CS0304	Organisational Controls	Losses due to failure in organisational structure: no proper escalation process, not adequately or timely responding to reported problems
CS0399	Decline	Legal Counsel has advised against providing the information.
Notes		
<ul style="list-style-type: none"> – Avoid duplication, look beyond apparent overlaps – In the case of a lawsuit or settlement, the Alleged Cause category selected should correspond to the underlying or alleged cause and not the dispute resolution mechanism - litigation 		
Examples of Events that may be associated with this Alleged Cause		
<ul style="list-style-type: none"> – CS0303 could be linked to Event Types related to Execution, Delivery and Process Management (EL07) 		

Level 1	Name	Description
CS0400	Processes	Factors related to the way that the firm is organised and certain broad management processes
Examples		
Level 2	Name	Description
CS0401	Organisational Structure	Multiple Locations
CS0402	Process Design	Complexity, Transparency, Documentation, 'Fit for Purpose'
CS0403	Inadequate Policy / Procedure	Not Used, Missing/Unavailable, Incomprehensible, Incomplete, Outdated
CS0404	Inadequate Segregation of Duties	Front & Back Office
CS0405	Data Quality	Incomplete / Incorrect / Wrong Format / Late
CS0499	Decline	Legal Counsel has advised against providing the information.
Notes		
<ul style="list-style-type: none"> – This Alleged Cause relates to the condition or quality of certain processes whereas the Process Type covers types of process, not their condition or quality. – Avoid duplication, look beyond apparent overlaps – In the case of a lawsuit or settlement, the Alleged Cause category selected should correspond to the underlying or alleged cause and not the dispute resolution mechanism - litigation 		
Examples of Events that may be associated with this Alleged Cause		

Level 1	Name	Description
CS0500	Internal Systems Failures	Factors related to inadequacies or failures in internal technology, physical and communication systems
Examples		
Level 2	Name	Description
CS0501	Hardware - Inadequate Maintenance	Cleaning of printers, keyboards, monitors; photocopiers; periodic diagnostics not done.
CS0502	Hardware - Performance Degradation	Reduced Functionality, Capacity
CS0503	Software - Inadequate Maintenance	Upgrades, patches, enhancements not done.
CS0504	Software - Performance Degradation	Reduced Functionality, Capacity
CS0505	Infrastructure - Inadequate Maintenance	Regular maintenance, repairs not done for access, lighting, air quality, lifts, etc.
CS0506	Infrastructure - Performance Degradation	Reduced performance, availability of access, lighting, air quality, lifts, etc.
CS0599	Decline	Legal Counsel has advised against providing the information.
Notes		
<ul style="list-style-type: none"> - Avoid duplication, look beyond apparent overlaps - In the case of a lawsuit or settlement, the Alleged Cause category selected should correspond to the underlying or alleged cause and not the dispute resolution mechanism - litigation 		
Examples of Events that may be associated with this Alleged Cause		
<ul style="list-style-type: none"> - Several of the Alleged Causes could be linked to Event Types related to Technology & Infrastructure Failure (EL06) 		

Level 1	Name	Description
LS0100	Jurisdiction / Choice of Law	Which country's law or jurisdiction governed the transaction or event?
Examples		
<ul style="list-style-type: none"> – For most events this will be the country where the event occurs, for example Employee Discrimination. However, for contracts or issues around documentation of a transaction the choice of Law / Jurisdiction can be different from where the event takes place. For example, a dispute relating to the interest calculation on a loan could be under English / UK Law even if the dispute is between a French bank and German company the loan is denominated in US\$. – The country attribute (using the two letter ISO code) relates to the country where the loss is booked. 		
Level 2	Name	Description
LS0101	United States of America	All States
LS0102	Canada	All States
LS0103	Rest of the World	All Countries
LS0104	United Kingdom	England, Wales and Scotland
LS0105	Western Europe (excluding United Kingdom)	All Countries
LS0106	Unidentifiable	Used where the presence of the factor cannot be determined and for events with multiple impacts where the loss cannot be attributed primarily to one category (treatment similar to “not product-related” and “not process-related”)
LS0199	Decline	Legal Counsel has advised against providing this information
Notes		
Reflects presence of a factor rather than influence by a factor		

Examples of Events that may be associated with this Attribute

Level 1	Name	Description
LS0200	Counterparty / Claimant Type	What type of counterparty or claimant was involved in the event?
Examples		
Level 2	Name	Description
LS0201	Bank	Peer and Non-Peer banks
LS0202	Class Action	Groups of clients bringing a single legal action
LS0203	Corporation for Profit	e.g. IBM, 3M, Novartis, Porsche, ABB, EDF, Berkshire Hathaway
LS0204	Corporation Not-for-Profit	Charities, Supranational e.g. UN, IMF, EBRD
LS0205	Government	National / State / Regional / Municipal includes the EU
LS0206	Individual – Private Banking	e.g. Bill Gates
LS0207	Individual – Retail	e.g. Your Mother
LS0208	Institutional Investor – Hedge Fund	e.g. Tiger, Caxton
LS0209	Institutional Investor – Mutual	e.g. Fidelity, Aberdeen Asset Management
LS0210	Institutional Investor – Pension Fund	e.g. CALPERS, OMERS
LS0211	Regulator	Capital, Stock Exchange, Competition, Health & Safety
LS0212	Not Identifiable	Used where the presence of the factor cannot be determined and for events with multiple impacts where the loss cannot be attributed primarily to one category (treatment similar to “not product-related” and “not process-related”)
LS0299	Decline	Legal Counsel has advised against providing this information

Notes
Reflects presence of a factor rather than influence by a factor
Examples of Events that may be associated with this Attribute

Level 1	Name	Description
LS0300	Role of the Firm	What role did the Firm take in relation to the transaction? In what capacity was the bank acting in the transaction underlying this event?
Examples		
Level 2	Name	Description
LS0301	Advisor	M&A mandates, tax structures
LS0302	Agent / Facilitator	Distributing another Company's products e.g. Insurance, syndication agent
LS0303	Employer	In relation to Individuals, Staff, Consultants
LS0304	Insourcer	Bank is the service provider, e.g. 'white label' credit cards such as Store Cards
LS0305	Outsourcer	Bank contracted out for a service, e.g. real estate or facilities management, transaction processing, IT development or support, Consultants
LS0306	Investor (Principal)	Equity Owner, Controller, Joint Ventures
LS0307	Position Taking (Principal)	Underwriting, Proprietary Positions, Loans, Deposits and other assets / liabilities that use the bank's balance sheet – “on or off-balance sheet commitments”
LS0308	Not Identifiable	Used where the presence of the factor cannot be determined and for events with multiple impacts where the loss cannot be attributed primarily to one category (treatment similar to “not product-related” and “not process-related”)
LS0399	Decline	Legal Counsel has advised against providing this information

Notes
Reflects presence of a factor rather than influence by a factor
Examples of Events that may be associated with this Attribute

Level 1	Name	Description
LS0400	Environmental Volatility	Was there instability in some aspect of the environment or circumstances in which the bank was operating at the time of the event?
Examples		
Level 2	Name	Description
LS0401	Cultural / Social	Norms of Acceptable Behaviour
LS0402	Economic	Business Cycle, Credit Cycle, Increase in Fraud
LS0403	Market Risk	FX, Equities, Bond Prices, Interest Rates, Commodities
LS0404	Credit Risk	Fixed and revolving loans, credit lines, credit cards, residential mortgages
LS0405	Political	Scapegoats, Seizure of Assets, Cessation of Business, change in host government philosophy/practices
LS0406	Not Identifiable	Used where the presence of the factor cannot be determined and for events with multiple impacts where the loss cannot be attributed primarily to one category (treatment similar to “not product-related” and “not process-related”)
LS0499	Decline	Legal Counsel has advised against providing this information
Notes		
Reflects presence of a factor rather than influence by a factor		
Examples of Events that may be associated with this Attribute		

ORX
ASSOCIATION

www.orx.org