

PILLAR 2 OPERATIONAL RISK CAPITAL ASSESSMENT TOOL

Robust Operational Risk (OR) assessments by Financial Services (FS) firms remain high on the agenda of the regulators across UK and Continental Europe. Equally, it remains an area where firms encounter challenges in relation to the development of an appropriate and proportionate approach.

To support firms navigate these challenges, Avantage Reply have developed an OR Capital Assessment Tool (ORCA) that allows firms to develop robust quantifications of their operational risk and capital profiles based on a structured, proven approach.

The tool allows for a blend of scenario based and data driven methodologies for the quantification.

ORCA is developed based on our deep experience in supporting clients with their OR P2 capital quantification approaches and provides a flexible, transparent and scalable capability for firms to streamline and automate their OR modelling capabilities.

The tool is intuitive and simple to use and comes with detailed technical documentation supporting your internal and external review, validation and reporting needs.

Scenarios

Under scenario-based approach, 20+ customisable scenarios can be considered covering all seven Basel OR loss event categories.

Loss Data

Available internal data (as well as external data) on operational risk losses can also be fed into the tool and used in estimation of expected losses.

Highly Configurable Statistical Modelling Capabilities

The ORCA tool is developed in line with industry standards, allowing users to configure several parts of the modelling process.

Mix of Scenario and Loss Data Contributions	20+ Operational Risk Scenarios	Frequency & Severity Estimates	Choice of Distributions	Choice of Correlation Factors
10,000+ Simulations	Choice of Confidence Levels	Insurance Coverage	Pre-populated, Customisable OR Scenario Library	P2 OR Regulatory Reporting

Based on user inputs, ORCA estimates the Value-at-Risk (VaR) for each risk category as well as the overall expected loss at your pre-defined confidence level. Results are produced in a ready to use reporting format and can be used for internal decision making as well as capital estimation for operational risk under P2.



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