

Risk taxonomies

- Organisations are increasingly moving away from the Basel taxonomy for categorising their risk information, towards one that better supports management of operational risk:
 - It expands conduct and compliance elements; and
 - It introduces categories for operational risks that have become increasingly important over the last 5-10 years due to macro developments in regulation, business models and digitisation

Causal categories

Risk event categories

Impact types

Causes

- The four causes below are referenced in the Basel definition of operational risk
- This remains the most common categorisation of causes today

People

Process

Technology

External events

Operational risk

Conduct/
Compliance risk

Basel Event types

- Employment practices & workplace safety
- Execution, delivery & process management
- Business disruption & system failures
- Internal Fraud
- External Fraud
- Damage to physical assets

Clients, products & business practices

Reference taxonomy

- People
- Transaction processing
- Technology
- Business continuity
- Fraud
- Physical security & safety
- Financial reporting & tax
- Information security (including cyber)
- Third party
- Data management
- Model
- Regulatory compliance
- Financial crime
- Conduct (sometimes using a theme)
- Legal

Impacts

- The Basel categorisation model was developed with a primary focus on financial loss and capital impact
- As the new taxonomies have evolved, and operational risk focus has shifted to management from measurement, the non-financial impacts have been of increasing importance (in addition to Financial)

Financial

Regulatory

Client & customer

Reputational

Internal operational & employee