Developments in risk taxonomies
Painting a better picture of the ideal risk taxonomy
Introduction

The industry is in the process of making a foundational shift. It’s moving on from just using the Basel event types, towards a taxonomy that supports more proactive risk management.

From our research with 44 of the world’s largest financial services companies, we’ve created a new reference taxonomy for classifying risk. Organisations can use this as a means of identifying differences to their own taxonomy.

As we consult, debate and learn more, we will continue to build a picture of the ideal risk taxonomy with the objective of helping the global financial services industry align behind a common approach.
Organisations are increasingly moving away from the Basel taxonomy for categorising their risk information, towards one that better supports management of operational risk:

a) It expands conduct and compliance elements

b) 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.
The four causes on the right are referenced in the Basel definition of operational risk.

This remains the most common categorisation of causes today.
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).
About ORX

Since 2002, ORX has been developing a global community of financial institutions committed to improving the management and measurement of operational risk. We research, improve understanding, and share knowledge to benefit our members and the wider sector.

To find out more about what we do, who we work with and how you can get involved contact Roland Kennett:

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