Calibrate Consulting
Algo FIRST® – Operational Risk Event Database

External Operational Risk Loss Data

External data is used extensively within financial institutions for operational risk loss modelling, benchmarking and for performing and informing operational risk scenarios. Such use of external data in modelling is increasingly viewed as essential by regulators.

Operational risk control teams also find external data essential in prompting discussion with business management. Recent evidence shows that active dialogue between the risk function and business management in relation to actual and potential issues improves risk management through questions such as "if you don't think it would happen here, why not? Why are our controls better? Why is our management better?"

Common Issues

When considering benchmarking the very large, new scenario-type losses that hit the headlines are often not the most interesting; visibility to higher volume low to medium value incidents is also needed in order to understand what is driving the volume of losses in a certain region or sector for example. The smaller value losses that are not seen in news stories are also the ones where there is the most value in statistical analysis to support scenario modelling.

Whether external data is used quantitatively or qualitatively, it is also vital that every event is written up to the same standard so that they can be properly compared.

A page of relevant external losses in the weekly or monthly risk pack can generate significant interest, especially from the compliance and regulatory angle. Political and regulatory risk for financial institutions is now enormous, and recent fines represent a whole new magnitude of cost along with a totally different political mood, and so every business needs to be on top of developments. In order to be relevant however, such summaries need to be complete and up to date to enable insightful analysis and applicability to the business.

IBM® Algo FIRST

Algo FIRST is a database of over 13,000 case studies of operational risk loss events spanning the last 25 years that enables financial institutions to proactively manage operational and enterprise risk. Aimed at banks, insurers, asset managers, pension funds and hedge funds, it offers easy access via the web, and is updated daily. An annual subscription to Algo FIRST enables more effective, risk-informed decision making, as it supplements a firm's internal data and supports complex scenario modeling for advanced risk analytics.

IBM® Algo FIRST®
RISK CASE STUDIES

• Comprehensive industry-wide coverage enables proactive risk management and yields competitive insights.

• Deep analytical detail to enable better investment planning, with support for more effective identification of risk exposures.

• Web-based, cost-effective access supports enhanced ease of use, with an option to integrate with existing systems where required.

Calibrate Consulting

Established in 2008, our team has deep experience in the implementation of finance and risk solutions, both as industry practitioners and on behalf of our clients. We can for example offer assistance with the establishment or development of a scenario analysis programme, in addition to Algo FIRST implementation. Please get in touch to discuss any aspect of GRC and IBM Algo FIRST.

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