

Operational Risk Management in Saxo Bank

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Key Learning Objectives

- About Saxo Bank
- Operational Risk Management
 - Definition and Objective
 - The Role of different data sources
 - Cost of operational risk
 - Framework
 - ICAAP
 - Work Flows
 - Challenges
 - Benefits

Saxo Bank Business Areas






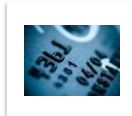

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Saxo Bank Business Model



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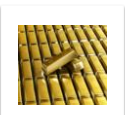
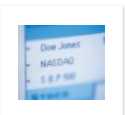
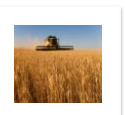
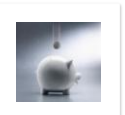

The Platforms

				
<p>SaxoTrader</p> <ul style="list-style-type: none"> The platforms are downloadable. The SaxoTrader is distributed via SaxoBank. These solutions are preferred by the most demanding clients. 	<p>SaxoWebTrader</p> <ul style="list-style-type: none"> SaxoWebTrader can be used from any PC with internet access. Includes the newly developed and specialised Equity platform catering for the self-directed investor. 	<p>SaxoMobileTrader</p> <ul style="list-style-type: none"> SaxoMobileTrader was developed for the busy investor. SaxoMobileTrader complements the SaxoWebTrader or the SaxoTrader. This flexible platform enables around-the-clock access to trading accounts. 	<p>Saxo Privatbank</p> <ul style="list-style-type: none"> Saxo Privatbank offers private banking services in Denmark. Bank accounts and Credit cards. Mortgage credit. Bank advice services. Specialised features for managing pensions and free means. 	<p>MetaTrader4</p> <ul style="list-style-type: none"> The platform is downloadable. The MetaTrader is distributed via the ForexTrading brand. The solution is preferred by the less sophisticated clients funding with small amounts.

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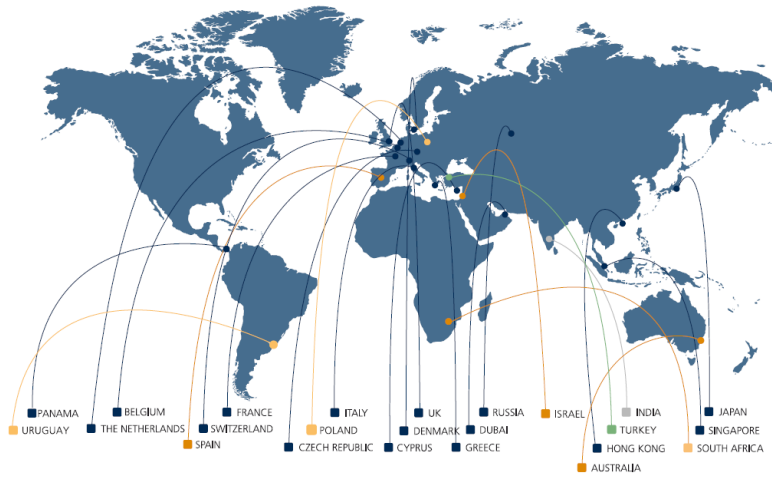
The Product Offering

					
<p>Forex</p> <ul style="list-style-type: none"> The world largest market with a daily turnover of DKK 22,000 billion. FX trading. Cooperation with 12-14 of the world's largest bank's. 160+ FX crosses. 	<p>FX options</p> <ul style="list-style-type: none"> Private investors can trade FX options online. Unique options board. 40+ FX options including gold and silver. Daily turnover of DKK 2 billion. 	<p>CFDs, Stocks & Bonds</p> <ul style="list-style-type: none"> One of the worlds largest online offerings of stocks and CFDs. More than 14,000 stocks and 8,000 CFDs. 21 index tracking CFDs and 20 commodity CFDs. More than 18,000 trades daily. More than 500 offline bonds. 	<p>Futures Contract</p> <ul style="list-style-type: none"> Futures are one of the most traded products in the world. Oil, metals, wheat, pigs, coffee, bond rates and much more. More than 140 different futures contracts are offered. Daily turnover of DKK 210 billion. 	<p>Investment funds</p> <ul style="list-style-type: none"> Saxo Bank offers more than 1,000 different investment funds. The ETFs are listed products. 	<p>Private Banking Services</p> <ul style="list-style-type: none"> Saxo Bank offers private banking services in Denmark through Saxo Privatbank. Bank accounts and credit cards. Mortgage credit. Bank advice services. Pension products.

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Saxo Bank around the world



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Risk Management (Ultimate crackpot test)

"Ultimate crackpot test: Does it actually improve forecast of risk events and are decisions actually improved?"

Douglas W. Hubbard: The Failure of Risk management

"I skate to where the puck is going to be, not where it has been."

Wayne Gretzky

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Operational Risk Definition and Objective

Definition: Operational risk covers the risk of direct or indirect losses resulting from inadequate or *failed internal processes, human errors, errors in IT-systems*, or as a consequence of *external events*. The definition includes legal risk.

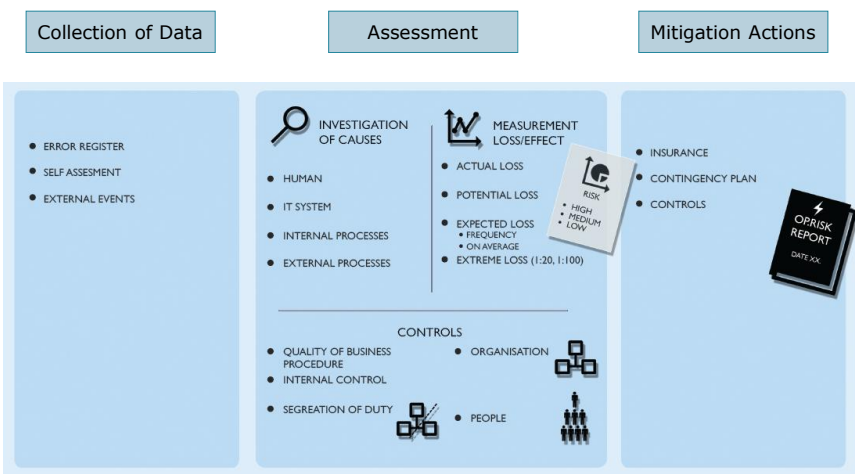
Nature: Operational risk is inherent in all business activities, and cannot be completely eliminated. Further, operational risk has *no material upside* in terms of return/income generation.

Objective: The overall objective of operational risk management is to achieve an overview of the operational risk landscape, *identify material risks and to mitigate them* where feasible and to the extent economically reasonable.

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BANK

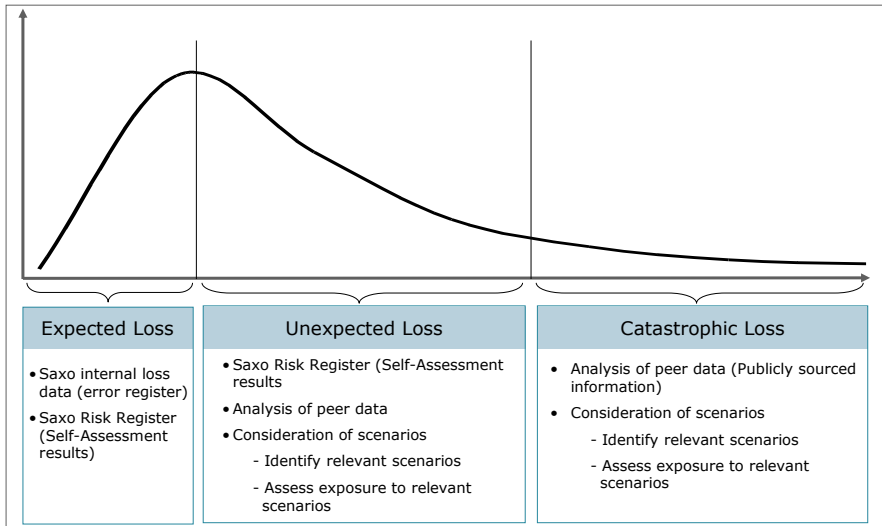
Overview of Operational Risk Management



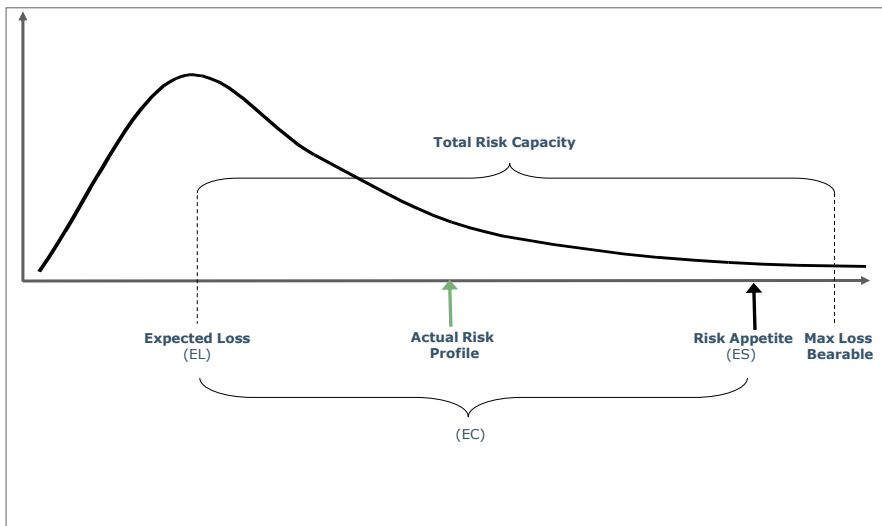
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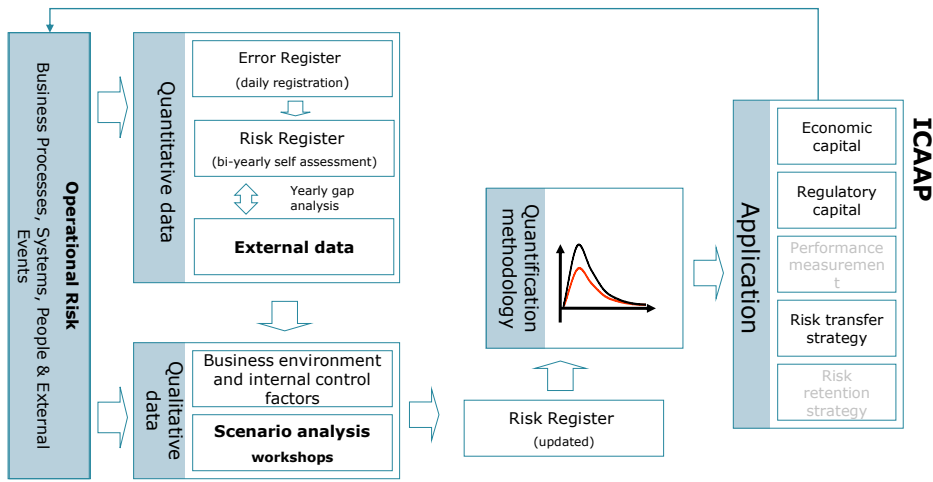
Understanding the role of different data sources



Understanding the cost of operational risk (Illustrative)

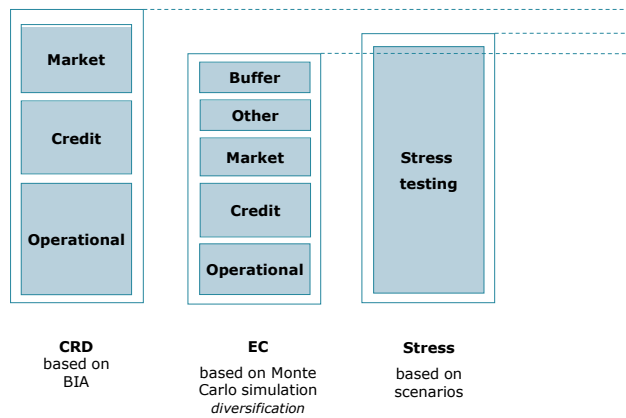


Operational Risk Management Framework



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Operational Risk – ICAAP (differences)



Regardless, focus on insurance coverage and continuity procedures to minimise the impact of losses caused by possible but unlikely extreme events !!!

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Challenges

Completeness of loss register

- Monthly loss report to management
- Monitor error accounts
- Monitor claims
- Monitor Incidents

Completeness of risk register

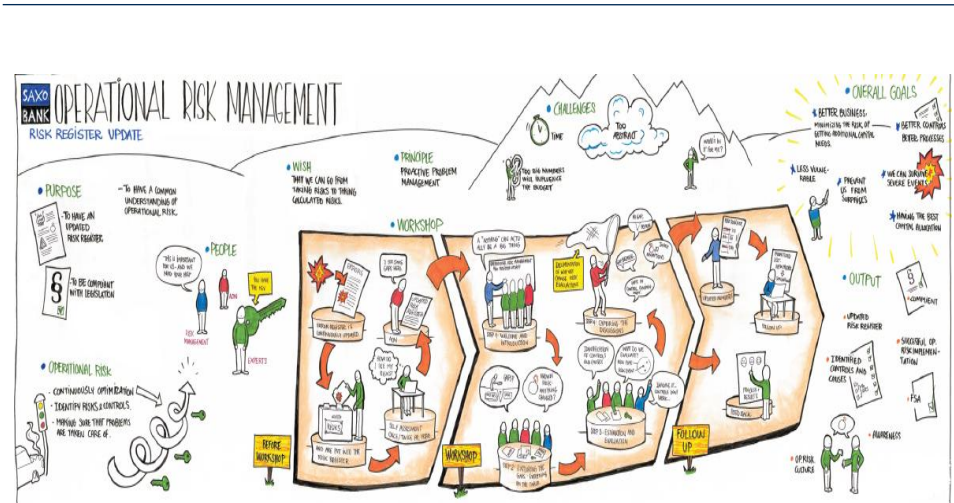
- Monitor external events
- Gap analysis (peer review)
- Employee risk surveys
- Review and assess critical procedures and controls

Other

- Who registers errors (road shows)
- What is potential loss?

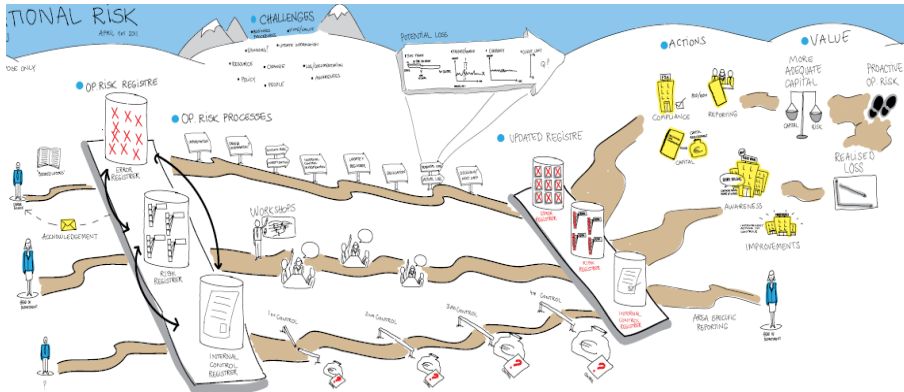
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Risk Register Update



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Operational Risk – Work Flow



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Operational Risk Management Benefits

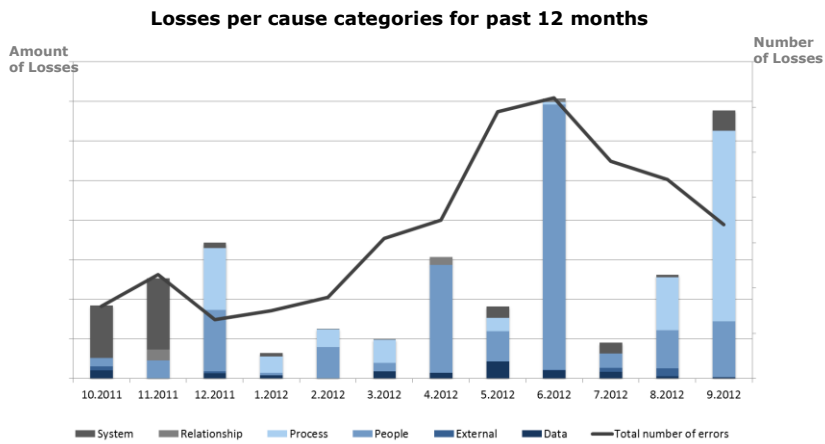
- Overview (clarity and less uncertainty)**
 - Overview of material risks + mitigation factors
- Improvement**
 - Support risk owner to improve operation
 - Reduce losses
- Data Quality**
 - Improved data quality and reliability for calculations
- Risk Culture**
 - Set expectation and pay attention

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Questions



Losses per cause categories (Illustrative) - Backup



Trading platform - Backup

The screenshot displays the SaxoTrader2 Multi Product trading platform interface. The interface is divided into several sections:

- REAL TIME MARKET PRICES:** Located in the top left, this section shows a grid of market data for various instruments, including EURGBP Spot, EURUSD Spot, and GBPUSD Spot, with columns for Ask, Bid, and Last prices.
- LIVE OPEN POSITIONS LIST:** Located in the middle left, this section displays a table of open positions with columns for Instrument, Status, Lot, Amount, Open, Close, Stop, and Limit.
- OPEN ORDER LIST:** Located in the bottom left, this section displays a table of open orders with columns for Instrument, Type, Buy/Sell, Amount, Price, Dist. to Market, Status, and Duration.
- GRAPH WITH TECHNICAL ANALYSIS:** Located in the center-right, this section shows a candlestick chart for EURUSD with technical indicators and a moving average.
- ONLINE NEWS:** Located in the bottom right, this section displays a list of news items with columns for Date and Headline.