

## 5. THE OPERATIONAL RISK MANAGEMENT

*The main objective of Operational Risk Management is to: manage uncertainties and possible risk to the activity of the Bank; inform at any time the Administrators; assist the decision-making process on risks that may hinder the achievement of Bank of Albania's objectives or have adverse financial and/or reputational impacts.*

*The Operational Risk Management Unit, as one of the second control lines in the Bank of Albania, has continued its activity in the direction of strengthening and increasing its role. During 2022, the unit continued monitoring and reviewing the risks identified with the Bank's units compiled regular reports for the Administrators, the Audit Committee and the Supervisory Council, on the results and analyses of the Banks' exposure to operational risk.*

### A. Assessment of Operational Risk Management by international experts

The growth and strengthening of the unit's activity is reflected in the latest assessment carried out by the international experts of the IORWG (International Organization Risk Working Group).

This organization has been active since October 2005, and currently is made up of 102 central banks and Supervision and Monetary Authorities such as the BIS, the ECB, and the IMF. The Bank of Albania joined this organisation that develops and directs the Operational Risk Management for Central Banks, in July 2015.

For 2022, the assessment by experts for the Bank of Albania was 84.45%, upward from the last assessment, which was 76.1%. The progress for these years has always been positive and is currently fully in line with the medium-term objectives of the ORM at the Bank of Albania. Most of the central banks that have consolidated the risk management function for at least 5 years are assessed at this level. It is worth emphasizing the fact that based on the table below, a few points are enough to be considered "Advanced", a category in which only a small number of central banks belong to.

AD-HOC	BASIC	MANAGED	ADVANCED	MATURED
<61%	≥61%	≥69%	≥86%	≥94%

### Methodology used by IORWG

The assessment is done periodically based on the IORWG assessment matrix, based on 5 main pillars:



- a) the level of design of processes and control systems covering these processes;
- b) the way and structure of the organization of the risk management function;
- c) the level of accurate and timely reporting;
- d) results after risk management; and
- e) risk culture, which is a challenge that requires awareness and continuous training from the Bank's units.

This IORWG's assessment was carried out for all member central banks for 2022, following the annual survey. It certifies from an independent international organization, the level of maturity of Operational Risk Management at the Bank of Albania, the awareness and education of the population, which has influenced and will influence the good functioning and continuous improvement of basic and supporting functions, within of risk management.

### **B. Business continuity management at the Bank of Albania (BCM<sup>32</sup>)**

The Supervisory Council at the Bank of Albania has already approved a complete framework regarding Business Continuity Management. The purpose of Business Continuity Management is that in case of operational interruptions during a Crisis/Emergency, to support the Bank in its efforts to improve the reaction capacity, ensure the continuation of critical processes and recover the normal activity of the Bank as rapidly as possible.

Crises expose the strengths and weaknesses of any organization's governance, as well as their ability and flexibility to manage through the crisis. Risk prevention, continuity planning and improvement in the management of major shocks are essential to ensure the sustainability of the Institution.

Cyber threats are nowadays the most serious risks faced not only by banking systems, but also by the most powerful states. In the framework of improving the Bank's responsiveness to these cyber-attacks, in addition to the operational measures taken, regulatory changes were also made. First, MWV plans for the cyber-attack scenario were reviewed. Secondly, a detailed operational action plan was drawn up between the Bank of Albania, the Ministry of Finance and Economy, and commercial banks, in cases when the clearing-settlement systems at the Bank of Albania do not work. In this plan, the payments needed to be carried out were prioritized and the steps to be followed by each party in making the payments were defined.

### **C. Whistleblowing function at the Bank of Albania**

The consolidation of whistleblowing function has helped the Operational Risk Management as well. In compliance with the Law No.60/2016 "On Signalling (Whistleblowing) and Protection of whistle-blowers", this unit aims to:

<sup>32</sup> BCM - Business Continuity Management.



- a) prevent and suppress corruption at the Bank of Albania;
- b) promote alerts on suspected corruption actions or practices;
- c) whistle-blowers who signal suspected corruption actions or practices at their workplace.

With the approval of the regulation "On administrative investigation of signalling, protection of confidentiality and protection from revenge in the Bank of Albania", the Bank has operated with a full regulatory framework, with all the necessary guidelines and tools to enable employees to signal the suspicious cases.

During 2022, the presentation on this function was addressed electronically to all employees of the Bank of Albania to remind, raise awareness and stimulate the reporting of possible cases of corruption.

