

5. THE OPERATIONAL RISK MANAGEMENT

The main objective of Operational Risk Management is to: better manage uncertainties of the activity of the Bank; inform at any time the Administrators; assisting in the decision-making process on possible 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 aimed at strengthening and increasing its role. From the annual reports of the Bank's structures, it emerged that the internal controls set up by the structures are generally effective in minimizing/avoiding damage/risks deriving from accidents that have occurred. Examining the possibility of the emergence of new risks related to global events has been the constant focus of assessments and analyses of the Bank's exposure to operational risk.

A. ASSESSMENT OF OPERATIONAL RISK MANAGEMENT BY INTERNATIONAL EXPERTS

Methodology used by IORWG

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).

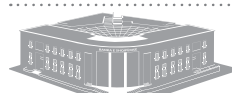
The Bank of Albania, as a member of the above-mentioned organization, participated in the periodic assessment conducted by this organization, which included 102 central banks, as well as supervisory and monetary authorities (such as BIS, ECB, FMN). The final assessment is as follows:

For 2022, the assessment by the IORWG 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, "Managed".

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

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

- the level of design of processes and control systems covering these processes;
- 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 assessment conducted by the IORWG was carried out for all member central banks for 2022, following the annual survey. It certifies the level of maturity from an independent international organization, 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, in the framework of risk management.

B. BUSINESS CONTINUITY MANAGEMENT (BCM³⁶)

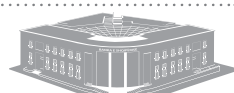
The "Business Continuity Management" aims to enhance the Bank's responsiveness in the event of a prolonged operational interruption or crisis/emergency. Its purpose is to ensure the continuation of critical processes and facilitate the Bank's recovery to normal operations as soon as possible. The Supervisory Council of the Bank of Albania has approved a complete framework regarding Business Continuity Management. An integral part of this regulatory framework are the individual succession plans for each function, the strategies that are followed as well as the tasks and responsibilities of each participant.

Crises expose the strengths and weaknesses of any organization's governance, as well as their ability and flexibility to manage through the crisis. In recent years, the Bank of Albania has successfully overcome several challenges, including pandemic, cyber-attacks, and a destabilized global situation, with valuable lessons learned for risk management and continuation of activity at the Bank of Albania. Risk prevention, business continuity planning and improvement in the management of major shocks are essential to ensure the sustainability of the Institution.

During 2023, we have seen an increase in cyber-attacks targeting several public institutions and commercial banks. According to the data available from the functions responsible for cybersecurity, there have been no significant attacks at the Bank of Albania that have compromised protective measures or impacted the Bank's critical systems.

Based on these developments measures were taken to improve the Bank's responsiveness against cyber-attacks, operational and regulatory.

³⁶ BCM - Business Continuity Management.



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 whistleblowers", this unit aims to:

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

The bank operated with the full regulatory basis, in addition to all the guidelines (annexes) and necessary tools to provide staff the possibility to signal suspicious cases. For 2023, no suspicious cases or actions have been reported.

