

Paola Leone · Pasqualina Porretta
Mario Vellella
Editors

Measuring and Managing Operational Risk

An Integrated Approach

palgrave
macmillan

Contents

1	Introduction to the Work and Operational Risk	1
	<i>Paola Leone and Pasqualina Porretta</i>	
1.1	Introduction	2
1.2	Operational Risk: Transversal, Pure, Multidimensional	5
1.3	Operational Risk: A Few Peculiarities	10
1.4	The Work's Structure	14
1.5	Some Conclusions	18
	References	21
2	Operational Risk Management: Regulatory Framework and Operational Impact	25
	<i>Paola Leone and Pasqualina Porretta</i>	
2.1	Operational Risk Management in the Banking System: First Considerations	26
2.2	Regulatory Approaches for Measuring Capital Requirements. An Introduction	30
2.3	Advanced Measurement Approaches (AMA)	37
2.4	Data Collection	42
2.5	AMA Methodologies: LDA	46

2.6	Calculation of the Operational VaR	57
2.7	Operational Requirements to Be Eligible for AMA Methodologies	59
2.8	In Addition to AMA Methodologies: Operational Risk Management	65
2.9	Supervision Operational Risk. From Sound Practices to the New SREP	72
2.10	Some Conclusions	86
	References	89
3	Operational Risk Measurement: A Literature Review	95
	<i>Francesco Giannone</i>	
3.1	Introduction	96
3.2	Loss Distribution Approach	96
3.3	Scenario Analysis	117
3.4	Bayesian Methods	123
3.5	Some Conclusions	129
	References	138
4	Integrated Risk Measurement Approach: A Case Study	145
	<i>Vitantonio Matarazzo and Mario Vellella</i>	
4.1	Introduction	146
4.2	Overview of the Measurement Framework	147
4.3	Model Input Data	148
4.4	Definition of Risk Classes	149
4.5	Overview of LDA Component	150
4.6	Overview of the Scenario Analysis Component	151
4.7	Overview of Risk Measurements Integration	152
4.8	Historical Loss Analysis—Quantitative Component	153
4.9	Distribution of Aggregate Losses	171
4.10	Results of Scenario Analysis	174
4.11	Integration of Scenario Analysis Results with Quantitative Component	175
4.12	Conclusion	177
	References	179

5 Almost Concluding Thoughts Between a Comparative Analysis and a Sensitivity Analysis: Look Over the Regulatory View	183
<i>Paola Leone, Vitantonio Matarazzo, Pasqualina Porretta and Mario Vellella</i>	
5.1 The New Standard Approach: Is AMA at a Crossroads? Some Questions to Answer	184
5.2 Case Study: A Comparative Analysis	190
5.3 Beyond the Regulatory Framework: An Operational Management Tool	195
5.4 Some Conclusions	200
References	204
Index	207