EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-UNRESTRICTED

Operational Risk Incident Reporting

Improve organisational learning

An operational risk incident is defined as an event which has had, or could have had (“near miss”), a negative financial, business or reputational impact on the ECB.

When should I report an incident? Questions to ask yourself:

- Did/ could the incident have a negative financial, business or reputational impact on the ECB?
- Did/ could the incident affect your BA’s deliverables (e.g. delay, outage, reduced quality)?
- Did/ could the incident gain visibility externally in terms of media coverage?
- Did/ could an incident occur as a result of the failure of a control measure?
- Were any controls in place to prevent the incident from happening?
- If the incident happened again under different circumstances could the impact be greater?

Examples of operational risk incidents:

- Disclosure of confidential data – staff member’s bag containing confidential information is stolen/ lost
- Delay(s)/ error(s) in publishing embargoed information
- Error(s) in communication – incorrect figure(s) published in ECB document
- Incorrect application of an economic model
- Error(s) in executing market operation(s)
- Breach of procurement rules – ECB (unknowingly) did not adhere to procurement law when contracting a third party
- Key supplier/ vendor cannot deliver services – a temporary outage of the delivery of critical data

If you have answered YES to any of the above questions, enter the details of the incident into the ORM Incident Reporting workflow and liaise with your risk coordinator regarding how to proceed.

Incidents should be reported in a timely manner and should be viewed as a learning opportunity. All staff members are actively encouraged to report them. BAs should report incidents in terms of the (potential) impact on their deliverable(s) to be assessed according to the ORM Impact Grading Scales.

For more details, see the Operational Risk and Business Continuity Management (ORM/BCM) intranet pages or ask the ORM/BCM Section directly:
ORM-BCMTeam@ecb.europa.eu

ORM Impact Grading Scales

	Impact level - Criteria	5 – Very high	4 – High	3 – Medium	2 – Low	1 – Negligible
BUSINESS **Impact on business objectives*** Failure or inadequacy of output of ECB tasks, business process(es) or project(s) which affects its ability to achieve its key objectives (as enshrined in the Treaty and the ECB Statute).	**Ability to perform ECB's processes incl. the delivery of projects to achieve its key business objectives**	Failure to perform ECB's processes incl. the delivery of project(s) which affects its ability to achieve its key business objectives (as enshrined in the Treaty).	Partial failure to perform ECB's processes incl. the delivery of project(s) which affects its ability to achieve its key business objectives (as enshrined in the Treaty) or failure to provide advisory functions.	Unsatisfactory quality or significant delays in performing ECB's processes incl. the delivery of project(s) which affects its ability to achieve its key business objectives (as enshrined in the Treaty) or partial failure to provide advisory functions.	Key business objectives (as enshrined in the Treaty) still may be achieved however internal ECB business expectations not being met due to a delay in delivery, or deterioration in quality.	Internal tasks, business processes affected, however key business objectives (as enshrined in the Treaty) not affected.
	Markets reaction (if triggered by ECB)	Unwanted adverse market reactions and significant market movement over period > 1 week.	Unwanted adverse market reactions and significant market movements between 1 day to 1 week.	Market irritation and unwanted significant market movements during one day.	Temporary market irritation and limited unwanted market movements during one day.	No noticeable market reaction.
REPUTATIONAL **Impact on reputation*** The risk of deterioration of the reputation, credibility or public image of the ECB towards different external stakeholders (e.g. general public, financial sector, etc.).	**Duration of impact on public confidence**	Credibility affected over the long term (> 3 years).	Credibility affected over the medium term (1 - 3 years).	Credibility affected over short (3 months-1 year) term.	Credibility affected between 1 week up to 3 months.	Credibility affected below 1 week.
	Credibility of source and severity of opinion	Series of credible, verified and very negative pieces of information, and/or opinions.	Credible and negative pieces of information, and/or opinions.	Negative pieces of information, and/or opinions.	Ad hoc negative allegations.	Unverified rumors, allegations and/or opinions.
	Media coverage (geographical scope, nature)	International media coverage extended to the popular press, TV and radio.	International media coverage incl. most internationally recognized newspapers.	Media coverage in one or a few internationally recognized newspapers.	Media coverage limited to national or regional press.	Negative and unsubstantiated report in media with only local distribution.
FINANCIAL **Impact on financial assets*** The financial loss, the additional costs of redoing activities or correcting damages, after consideration of existing insurances.	**Write off on the balance sheet**	**Above EUR 10 million**	**Above EUR 1 million to EUR 10 million**	**Above EUR 100 000 to EUR 1 million**	**Above EUR 10 000 to EUR 100 000**	**EUR 10 000 and below**
	• Financial value of a loss. It includes net financial loss (excluding insurance or other reimbursement). • Additional costs of redoing activities or correcting damages. • Penalty in legal case(s). • Opportunity cost. In order to reduce complexity, virtual losses (i.e. miscellaneous opportunity costs) are only considered when: (a) their impact may be significant; and (b) they can be evaluated in a fairly straightforward manner (e.g. missed trading opportunities linked to a disruption of investment activities related to own funds foreign reserve management).					