MONEY, FINANCES AND CREDIT

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DEVELOPMENT OF METHODOLOGICAL APPROACHES TO OPERATIONAL RISK CAPITAL MEASUREMENT

The need of the operational risk measurement in the context of adequacy of bank capital is defined. The stages of approach to operational risk management development in banks are determined and characterized. They are denial, ignorance; information gathering and preparation of Basel II; development of approaches to measurement; rethinking through the crisis of 2007-2008.

At the stage of denial credit, market and liquidity risks are recognized, the impact of operational risk on the banking business is denied. In the early 90's bankers ignored operational risk. The first operational risk precedents occurred in the 80's, but they were considered as random events. However, after a series of events that led to large losses, a necessity for understanding operational risk management was recognized. The next stage of data collection and preparation of Basel II occurred at the end of 90th and the beginning of 2000. As a result approaches to operational risk management are defined. They are Basic Indicator Approach, Standardised Approach, and Advanced Measurement Approach. The conclusion seemed to be that Advanced Measurement Approaches reflects the expected losses from operational risks the best way. But after financial crises occurred in 2008-2008 was defined that operational risk capital based on AMA-style internal modelling had significant shortcomings. That's why the Basel Committee on Banking Supervision recognized the need to update its operational risk capital modelling requirements. A single method for regulatory capital calculating to replace all three methods currently in use, including the Advanced Measurement Approach, is proposed. This method employs variables (Business Indicators), which better explains changes in operational risk exposure.