

The Organizational Model of Operational Risk Management Basing on Three Lines of Defence for Vietnamese Banks

Le Thi Anh Dao⁽¹⁾
 Tran Vuong Thinh⁽²⁾
 Tran Hong Ha⁽³⁾

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ABSTRACT: This article aims to analyze the role and responsibility of three lines of defence which are mentioned in the BCBS's principles for operational risk management. Besides, it evaluates Vietinbank's organizational model of operational risk management based on three lines of defence. From that, this article designs the general organizational model of operational risk management for Vietnamese banks. This model creates a safe three-layer net of operational risks management, hence it protects banks as well as mitigates the losses caused by banks' operational risks.

KEYWORDS: operational risk, operational risk management, three lines of defence.

1. Introduction

Basel II (2004) defines operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. It proves that operational risk arises from other sources, making operational risk become diversified and complicated. Consequently, banks and Basel Committee on Banking Supervision (BCBS) are always interested in management

of operational risks as well as establishment of the organizational model of operational risk management. Especially, the organizational model basing on a clear decentralization to each business unit, which can make highly effective management of operational risks becomes a suitable choice. However, when issuing the documents of operational risk management, BCBS does not present the general model of operational risk management

✉ **Le Thi Anh Dao / Email:** daolta@buh.edu.vn.
Tran Vuong Thinh / Email: thinhvtv@buh.edu.vn.
Tran Hong Ha / Email: hath@buh.edu.vn.

⁽¹⁾ Banking University HCMC - 36 Ton That Dam street, Nguyen Thai Binh Ward, District 1, HCMC.