Research on Measuring Operational Risk in Commercial Banks Based on Internal Control

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Abstract : Operational risk covers all operations of commercial banks and has a close relationship with the bank's internal control. But in the commercial banks' management practice, internal control is always separated from the operational risk measurement. With the increasing of operational risk events in recent years, operational risk is paid more and more attention by regulators and banks' managements. The paper first discussed the relationship between internal control and operational risk management and used CVaR-POT model to measure operational risk, and then put forward a modified measurement method (to use operational risk assessment results to modify the measurement results of the CVaR-POT model). The paper also analyzed the necessity and rationality of this method. The method takes into consideration the influence of internal control, improves the accuracy and effectiveness of operational risk measurement and save the economic capital for commercial banks, avoiding the drawbacks of using some mainstream models one-sidedly.

Keywords : commercial banks, internal control, operational risk, risk measurement
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