

Improving the Quantification Model of Internal Control Impact on Banking Risks

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Abstract : Risk management in banking sector is a key issue linked to financial system stability and its importance has been elevated by technological developments and emergence of new financial instruments. In this paper, we improve the model previously defined for quantifying internal control impact on banking risks by automatizing the residual criticality estimation step of FMECA. For this, we defined three equations and a maturity coefficient to obtain a mathematical model which is tested on all banking processes and type of risks. The new model allows an optimal assessment of residual criticality and improves the correlation rate that has become 98%.

Keywords : risk, control, banking, FMECA, criticality

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