Central Bank of Iraq

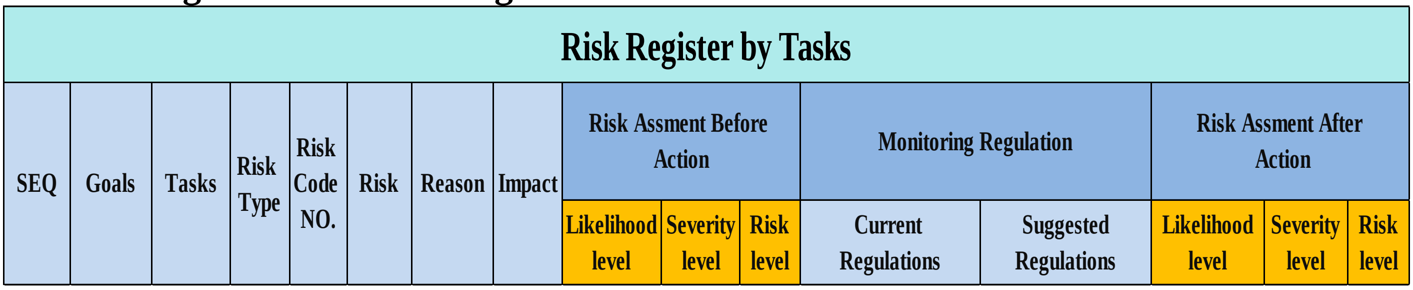
Risk Management Division

Explanatory Instructions of Risk Register

Risk Register:

It is a tool to identify, analyze, assess, and treat risks. It includes information and data on the risks of executive agencies to indicate the likelihood of the reoccurrence of risks and the degree of their severity. It aims to present an illustrative picture of risks facing business units in institutions.

The below figure shows Risk Register model:



Risk Register by Tasks

SEQ	Goals	Tasks	Risk Type	Risk Code NO.	Risk	Reason	Impact	Risk Assment Before Action			Monitoring Regulation		Risk Assment After Action		
								Likelihood level	Severity level	Risk level	Current Regulations	Suggested Regulations	Likelihood level	Severity level	Risk level

NU.	Basic steps for preparing a risk register
1	Determine the goals that business units seek to achieve.
2	Determine the tasks that are implemented and followed up by the first-line units, which are carried out by one or several people to achieve the goals.
3	Determine the type of risk based on the source and nature of the risk, as risks are classified into (financial, operational, legal, strategic, and reputational).
4	Set a number for each risk for the purpose of distinguishing it, facilitating its tracking, and referring to it when managing and monitoring risks.
5	Identify the risk that could affect goals or tasks.
6	Identify the fundamental reasons that constitute the source of the likelihood of risk.
7	Identify the consequential severity that arises because of the occurrence of the risk on (the work environment or individuals, such as: human and material damages... etc.).
8	**Risk Assessment before action, i.e. (before activating the monitoring control) as follows:** A - Estimate the expected likelihood level of risk occurrence (frequency of risk occurrence) by determining its classification level within five levels (certain, likely, medium, rare, unlikely). B- Estimate the degree of severity resulting from the occurrence of the risk by determining its classification level within five levels (very high, high, medium, low, and very low). C- Assess the level of risk based on the five-point matrix through the intersection of the severity and likelihood axes.
9	Determine monitoring controls represented by all applied policies, procedures, and practices that reduce the level of severity and/ or likelihood of risks.
10	Establish proposed monitoring controls represented by mitigating measures in addition to the active controls in the event of a lack or weakness of the effectiveness of the activated monitoring controls.
11	Assess the risk after the action, i.e. (after activating the monitoring control), knowing that the assessment process is carried out in the same manner described in (8) mentioned above.

Risk assessment is carried out by three stages, as follows:

First: Likelihood Level:

Likelihood Level	
Level	**Criteria**
Certain	Internal Risk: (The likelihood of risk in 30% of operations) External Risk: (The likelihood of risk is more than twice a year)
Likely	Internal Risk: (The likelihood of risk in 25% to 30% of operations) External Risk: (The likelihood of risk is once every two years)
Medium	Internal Risk: (The likelihood of risk in 10% to 20% of operations) External Risk: (The likelihood of risk is twice every five years)
Rare	Internal Risk: (The likelihood of risk in 5% to 10% of operations) External Risk: (The likelihood of risk is once every five years)
Unlikely	Internal Risk: (The likelihood of risk in 5% of operations) External Risk: (The likelihood of risk is once every ten years)

Second: Severity Level:

Severity Level	
Level	**Criteria**
Very High	High severity level on institution capability that cause sever stop of work (more than three units stop working)
High	Severity level that changes important procedures (three units stop working)
Medium	Severity level leads to change on procedures and individuals moderately (two units stop working)
Low	Severity level that mildly change procedures (one unit stop working with no effect on other working units)
Very Low	Severity level doesn't lead to change on procedures (defect in one working unit without stopping it)

Knowing that the above model is one of the standard models for risk analysis to estimate the operational severity level, and there are other models used to estimate the financial, legal, strategic, and reputational severity.

Third: Risk Matrix:

Severity / Likelihood	Very Low	LOW	Medium	High	Very High
Unlikely	Very Low	Very Low	Very Low	LOW	Medium
Rare	Very Low	LOW	LOW	Medium	High
Medium	Very Low	LOW	Medium	High	Very high
likely	LOW	Medium	High	Very high	Very high
certain	Medium	High	Very high	Very high	Very high