Operational Risk Assessment

The Commercial Imperative of a More Forensic and Transparent Approach

Brendon Young and Rodney Coleman
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14.14 The rating agencies are in a privileged position in that they receive confidential information about a firm, which has the effect of adding credibility to their ratings and statements  

14.15 Is it possible for the rating agencies to highlight concerns about a particular firm, to the market, without precipitating a crisis?  

14.16 Should the rating agencies be given the opportunity, or indeed be required, to discuss in confidence any concerns they may have about a particular firm with the regulators?  

14.17 Is litigation likely to become an increasing problem, with the possibility of investors suing where information later proves to be inaccurate and misleading?  

14.18 Do you think that greater transparency, as proposed by the third pillar of Basel II, will bring the benefits envisaged by the regulators, or is transparency somewhat of an illusory concept?  

14.19 A fundamental requirement of externally audited accounts is to provide shareholders with a “true and fair view.” However, banks have been deliberately concealing important information affecting the levels of risk faced. This has brought into question the value of their audited accounts, the integrity of external auditors (who are in fact paid by the bank being audited), the appropriateness of practices such as the use of off-balance-sheet activities, and the relevance of mark-to-market (“fair value”) valuations in a time of high market uncertainty  

14.20 What further changes do you think are necessary to improve the stability and credibility of the financial system?  

14.21 What are the major challenges currently facing the sector? What changes do you think are necessary and what is preventing them?  

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