



EUROPEAN COURT OF AUDITORS

PRESS RELEASE

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Specific Annual Report: ECA finds strong demarcation between the management of financial and operational risks in the European Central Bank (ECB)

The European Court of Auditors (ECA) examined the appropriateness of the ECB's overall risk management framework and assessed whether the ECB manages operational and financial risks effectively. The ECA concludes in its specific annual report that the ECB has established a **comprehensive organisational structure**, roles and **responsibilities** are **clearly assigned**, but that there is a **strong demarcation** between the management of **financial and operational risks** in the Bank. This **increases** the **risk** that the view of the Bank's exposures might not be comprehensive. In addition, the annual accounts of the ECB contain only brief information about certain risk management issues.

The assessment of the operational risk framework showed that the ECB has a clear organisational structure and has established adequate operational risk management policies. However, the ECA identified some weaknesses in the ECB's approach to assessing, monitoring and controlling / mitigating risks.

The review of the financial risk management framework indicated that the financial risk management methodology designed is sound and adequate for the management of investment and policy operations at the ECB. However, improvements are required in the practical application of the methodology.

The ECA makes a number of **recommendations** to the European Central Bank to further improve its overall risk management. These include:

- considering setting-up a hierarchically independent, single, risk management function, such as a chief risk officer or committee that would concentrate solely on risk management and ensure a comprehensive view of the Bank's exposures;
- further improving its public disclosure of risk management practices to external parties in the annual accounts by applying best practices, such as IFRS 7.

Background: Risks are managed through two separate frameworks at the ECB. The operational risk management unit (ORM/BCM) covers all operational risks including business continuity. The Risk Management division (RMA) deals with the financial risk management, including the ECB's investment activities and credit operations.

The European Court of Auditor's (the Court) audit of the operational efficiency of the ECB is based on Article 27(2) of the Protocol on the Statute of the ESCB and of the ECB. The 2010 audit covers the risk management procedures and systems established by the ECB and their application.

The purpose of this press release is to give the main messages of the specific annual report adopted by the European Court of Auditors. The full report is on www.eca.europa.eu.

ECA PRESS

12, rue Alcide De Gasperi - L - 1615 Luxembourg

Tel.: (+352) 4398 45410 - Fax: (+352) 4398 46410 – Mobile (+352) 621 55 22 24

e-mail: press@eca.europa.eu Twitter: @EUAuditorsECA