

## **PREFACE**

### **1. The necessity of the thesis**

Given its deep integration with the global economy, the Vietnamese economy in recent years, Vietnam's integration has change remarkably. As the result, Vietnamese commercial banks are aiming to increase the proportion of income from service activities in line with the world's development trend and reduce the proportion of income from traditional lending activities. This also means that banks will have to face many types of risks arising in the business process, including operational risks. Therefore, the increase in operational risks poses requirements for commercial banks to improve the management of operational risks effectively in accordance with international practices and Vietnamese law.

As one of the leading and key banks in the Vietnamese banking system, at the Joint Stock Commercial Bank for Industry and Trade of Vietnam, the Board of Directors and the Board of Directors pay great attention to the Operational risk management with the central task is to restructure the organizational model and structure of operational risk management, in line with the business situation and focus on improving efficiency. The management of operational risks at VietinBank has achieved certain achievements, however, cases that cause losses related to operational risks of VietinBank still tend to arise and be complicated. From aforementioned reasoning, I chose the topic: Operational risk management of at Vietnam bank for Industry and Trade Joint stock bank " for my doctoral disertation.

### **2. Literature Review**

#### **2.1. International Literature Review**

- Christopher L. Clup (2002) in “The Art of Risk management”: The author of Clup described the linkages and trade-offs between some of the main drivers of creating business value Capital structure, definition of risk

strategy, maintenance and transfer of risk management, specifying the risk management process including the basic steps of risk identification, analysis of risk assessment, rating classification, and risk reporting risk, risk treatment and risk monitoring.

- Karen A. Horcher (2008) in “Essentials of Financial Risk Management”: The author addresses the types of financial risks that organizations may face, focusing on strategic and managerial issues related to financial risks, devise plans to minimize risks.

- Rose P., (2012) in “Banking management” provides readers about the banking sector from the perspective of customers and administrators.

- Research by Michael McAleera et al. (2013) "Has the Basel II Accord Encouraged Risk Management During the 2008-09 Financial Crisis?" in terms of choosing an effective risk management strategy in a bank.

- Research by Ali Bayrakdaroğlu et al (2013) “Operational Risk Management Policy” on estimating the impact of operational risk factors on the public and private commercial banking systems (case in Turkey)

- The study by Sebastian Poledna et al (2013) “Leverage-induced systemic risk under Basel II” in terms of evaluating the effectiveness of credit regulatory policies indicates that, in all three major There is no optimal policy for all subjects in the credit management book.

## **2. Vietnam Literature Review.**

### **2.2.1. Research on risks and risk management of commercial banks**

- Doctoral thesis in economics Risk management in business of Vietnam commercial banks under the Basel Treaty, Foreign Trade University by Nguyen Anh Tuan (2012) [36] mentioned the content of the Basel Treaty with The meaning is the instructions on safety supervision and risk management in business of Vietnamese commercial banks and the

ability to apply this Treaty to the risk management practice of Vietnamese commercial banks.

- Research on “Building a 3 lines of defense model for risk management of Vietnamese commercial banks” (2014) by Vo Thi Hoang Nhi [22] in Banking Journal, No. 16, 8/2014. In the author's research, the author emphasizes the role of risk management in the enterprise and analyzes in depth the three-layer defense model in banking to manage risk with the role of each department in each department. guard that.

- Nguyen Minh Sang & Nguyen Thi Lan Huong (2013) "Off-balance sheet operations and risk management processes in the banking system in Vietnam", Journal of Development & Integration [25]. The article has pointed out 06 limitations in the risk management process of banks.

### **2.2.2. The researches on operational risk and operational risk management of commercial banks**

- Research on "Situation and solutions for the organizational structure of operational risk management under Basel II at Vietnamese commercial banks" (2015) by Phan Thi Thu Ha and Le Thi Van Khanh [7] in the Financial and Money Market Journal Currency, No. 22, November 2015. In the study, the current situation of operational risk management in commercial banks is recommended and recommended that commercial banks implement the management of operational risk at the request of Basel II on the basis of establishing an organizational structure of operational risk management with full functions. , tasks from the BOD, BOM, units and staff to directly operate and propose a number of solutions in the management of natural operational risk at commercial banks.

- Research on “Building an effective operational riskmanagement framework at commercial banks in Vietnam” (2014) by Tran Thi Minh Trang [34] in Banking Magazine, No. 5, March 2014, the author analyzed

and provides an overview of risk management in banks, how to calculate capital costs for operational risk under Basel II and how to design the risk management system in commercial banks according to international best practices so that the bank has an overview. about the work to be done in the coming time and for the purpose of researching and issuing documents on operational risk in the management agency.

- Dao Thi Thanh Tu (2014), "Building the risk management system for operations in Vietnamese commercial banks", Banking Academy [35], the article outlined 4 principles of operational risk management. and 08 solutions to improve risk management.

- Le Thi Van Khanh (2017), " Operational risk management system at Vietnamese commercial banks", Doctoral thesis in economics [12]. The thesis has analyzed in-depth factors constituting and affecting the operational risk management at commercial banks in Vietnam. In which emphasizes on 6 factors that make up the operational risk management system as guided by Basel II and uses these 6 factors as model testing variables and makes conclusions about the impact level of each of the factors in operational risk management.

### **2.3. Research Gaps and Research Question:**

#### **2.3.1. The previous research results**

- Firstly, foreign research results have shown the theoretical basis and current situation of risk management, from which general principles of risk management are built.

- Secondly, for studies in Vietnam, most of the research studies in-depth research on different types of risks (credit risk, interest risk, operational risk ...) in commercial banks' operations.

- Thirdly, some works only go into depth analysis of Basel II. On the other hand, due to the different research period, different socio-economic

context, especially different research methods and approaches, there are also differences in the research result and achievement.

### **2.3.2. Research gap**

- Vietnamese commercial banks operate mainly in lending, therefore researches mainly related to market risk, credit risk, and interest rate risk. There has not been any in-depth study on operational risk at a specific organization or commercial bank, as well as research on operational risk management at Vietnam bank for Industry and Trade Joint stock bank

- The above-mentioned studies still have some "gaps" in research on prevention and limitation of operational risks, typically operational risk management at Vietnam bank for Industry and Trade Joint stock bank in the period from 2015 to present.

- Theoretical basis is no longer systematic and updated about operational risks in the current period, when the State Bank of Vietnam is implementing the operational risk management roadmap, including operational risks under Basel II.

- Most of the researches on operational risk management only offer solutions such as "preventing" risks, experiences and solutions to limit operational risks, not doing in-depth research on management of operational risk or taking control of operational risk.

- Many studies on risk analysis are still qualitative and have not shown a model for direct or indirect risk management.

Besides, there are no scientific research that has comprehensively researched operational risks and operational risk management of Vietnam bank for Industry and Trade Joint stock bank in the period 2015 - 2019.

### **3. Research objectives and research question**

#### **3.1. Research objectives**

Proposing solutions to enhance the management of operational risk in accordance with VietinBank's operations in the conditions of implementing Basel II standards in the coming time.

#### **3.2. Research mission**

Systematize and clarify the basic theories about operational risk and operational risk management, draw lessons learned from risk management for commercial banks in Vietnam through researching some domestic and foreign banks.

Propose solutions and recommendations to enhance operational risk management of Vietinbank

### **5. Research subject and scope**

***Research subjects:*** Theoretical and practical issues about operational risks and operational risk management of commercial banks.

***Research scope:***

- Regarding the content: The thesis focuses on the management of operational risks, approaching the standards of Basel II on operational risk management.
- Regarding space: The thesis focuses on researching at Vietinbank
- Regarding time: The thesis analyzes the current status of operational risk management of Vietinbank in the period 2015-2019, proposing solutions for the coming time.

### **6. Research method**

To achieve the research objectives and answer the aforementioned questions, the thesis uses a combination of the following methods:

- + Methods of analysis - synthesis
- + Method of comparison - comparison

- + Method of interview
- + Statistical analysis method
- + Methods of systematization
- + Logical method

## **7. Main achievements**

The completion of the above thesis has the following scientific and practical significance:

*Scientific significance:* Systematize and contribute to clarify the theoretical basis of operational risk and risk management

*Practical significance:* Survey the experiences in the prevention and limitation of operational risks of banks, draw useful lessons that can be applied in the operational risk management of commercial banks in Vietnam, assess the status of risk management of Vietinbank in the period from 2015 - 2019, propose a system of solutions to enhance prevention and mitigation of natural risks of Vietinbank, give necessary recommendations to the State Bank and the Banking Association to effectively implement the proposed solutions

## **8. Structure of the thesis**

In addition to the introduction, conclusion, the thesis is divided into three chapters:

- Chapter 1: Basis theoretical of operational risk and operational risk management of commercial banks.
- Chapter 2: Situation of operational risk management of Vietnam bank for Industry and Trade Joint stock bank
- Chapter 3: Solutions to enhance operational risk management of Vietnam bank for Industry and Trade Joint stock bank

## CHAPTER 1

### **BASIC THEORETICAL OF OPERATION RISK AND OPERATION RISK MANAGEMENT OF COMMERCIAL BANK**

#### **1.1. General theory of operational risks of commercial banks**

##### **1.1.1. Operational risk concept**

From the previous studies, along with my own views, I summarized the concept of operational risk as follows: “Commercial banks' risk is the type of risk that causes loss to commercial banks due to reasons such as people, incomplete or poor regulations, processes or systems; or due to objective external events ”.

##### **1.1.2. Characteristics of operational risks**

- \* Operational risks are associated with event
- \* Operational risks are always changing
- \* Operational risk is the type of hidden risk
- \* Operational risk is inherent risk.
- \* Reputation risk

##### **1.1.3. Classification of operational risks**

Operational risk is classified by different criteria. According to the concept of Basel II Agreement (2004) [54] Natural operational risk is divided into risk caused by human, processes, systems and outside events.

##### **1.1.4. Cause of operational risk**

###### **1.1.4.1. Subjective reasons**

Subjective causes of operational risk include: staff compliance, regulations, business processes, systems, and other issues.

###### **1.1.4.2. Objective reasons**

Objective causes of operational risk include: reasons due to the lack of legal environment, lack of inspection and supervision from senior management, from customers, external organizations, events. majeure.



### **1.1.5. Consequences of operational risks**

Operational risks negatively impact the Bank's operations and cause great losses to marketing and sales, payment activities, and information technology, financial activities, human resource management.

## **1.2. Managing operational risks of commercial banks**

### **1.2.1. Operational risk management concept, objectives and principles**

#### **1.2.1.1. Operational risk management concept**

Operational Risk Management is the process in which commercial banks conduct planning and implementing measures to identify, evaluate, measure, prevent and control natural risks, in order to minimize the Bank's risks.

#### **1.2.1.2. The goal of operational risk management**

- Identify operational risks that may occur and cause loss to the commercial bank.
- Ensure that the bank's portfolio of risks is managed and supervised, compliances with the Risk appetite statement, meets the requirements of risk management according to Basel II standards, minimizes / controls operational risk and capital calculations for operational risk.
- Control operational risks at the cost of management lower than the value of the damage caused by operational risk.

#### **1.2.1.3. Operational risk management principles**

Firstly, respecting the principle of cross-control for any activities of banks.

Secondly, it is necessary to make bank's operational risk management transparent.

Thirdly, quantifying operational risks.

Fourthly, risk management requires the banking apparatus (from leaders to subordinates) to be reorganized and retrained.

Fifthly, the principle of ensuring modernity, advancedness, accuracy and synchronous application of technology, techniques and information allows the bank to organize risk management effectively and save costs.

### **1.2.2. Operational risk management process and content**

#### **1.2.2.1. Operational risk management process**

According to the Basel II Agreement, the risk management process consists of four basic steps: Identifying operational risk; Risk assessment; Developing and implementing a prevention plan; Risk control and reporting.

#### **1.2.2.2. Content of operational risk management**

##### **a. Organizing the operational risk management apparatus of a commercial bank**

In the international finance industry, the need for operational risk identification and management has been recognized by the Regulatory Authority and by the leaders of financial institutions. To manage operational risk, any commercial bank must have a mechanism and a department in charge, which clearly states who and what to do.

##### **b. Operational risk management tools**

Risk management tools include: Loss Data Collection (LDC), Risk Control Self Assessment (RCSA), Key Risk Indicator (KRI), Business Continuity Management (BCM).

##### **c. Capital allocation for operational risk management**

Capital allocation for operational risk management is determined according to Business Impact Analysis (BIA), Standardized Analysis (SA), and Advanced Measurement Approach. - AMA)

### **1.2.3. The criteria to evaluate operational risk management of commercial banks**

#### **1.2.3.1. Quantitative indicators**

The quantitative criteria to assess operational risk management of commercial banks include:

- \* The first indicator: Number of risk signs arising in the reporting period.
- \* The second indicator: Probability of risk signs
- \* The third indicator: Number of incidents arising in the period
- \* The fourth indicator: Total losses (in cash) occurred in the reporting period
- \* The fifth indicator: The amount of capital allocated to operational risks

#### **1.2.3.2. Qualitative indicators**

The quantitative criteria to assess the operational risk management of commercial banks include: the effectiveness and efficiency of the operational risk management apparatus, the compliance of operational risk management with regulations, operational risk management processes, results of tools used in operational risk management, diversity and effectiveness of risk prevention and minimization measures.

### **1.2.4. Factors affecting operational risk management of commercial banks**

#### **1.2.4.1. Group of objective factors**

The group of objective factors that affect commercial banks' operational risk include: business environment, political institutions and legal environment, natural and social conditions, technological foundation.

#### **1.2.4.2. Group of subjective factors**

The group of subjective factors that affect commercial banks' operational risk include: Risk management culture, Leadership views on

operational risk management of the Board of Directors, organizational structure factors of operational risk management, communication factors in operational risk management, information technology factors for operational risk management, human resource factors.

### **1.3. Experience of risk management of some foreign banks and lessons for**

In this content, the thesis mentions the experiences of MUFG Unionbank and Fullerton from which to draw lessons for Vietinbank.

## **CONCLUSION OF CHAPTER 1**

For the purpose of forming a theoretical framework for the entire thesis, chapter 1 of the thesis presented and clarified the following issues:

- Systematize and clarify the theoretical basis of Operational risks and Operational risk Management of Commercial Banks: Concepts, content, tools of risk management, criteria to assess risk management and factors affecting risk management.

- Research experiences in operational risk management of foreign banks from which to draw lessons about operational risk management for Vietinbank

The research results in Chapter 1 are essential to analyze and objectively evaluate the operational risk management situation of Vietnam bank for Industry and Trade Joint stock bank presented in Chapter 2 of the thesis.

## **CHAPTER 2: THE CURRENT SITUATION OF OPERATIONAL RISK MANAGEMENT OF VIETNAM INDUSTRIAL AND TRADE JOINT STOCK BANK**

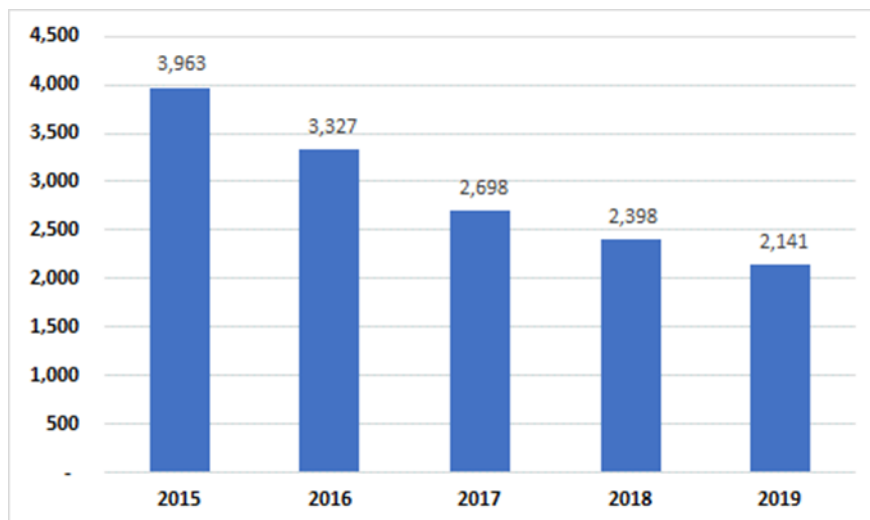
### **2.1. Overview of Vietnam bank for Industry and Trade Joint stock bank**

In this content, the thesis presents the history of Vietinbank, organizational structure and current status of business performance of Vietinbank in the period 2014-2019.

### **2.2. Operational risks at Vietnam Joint Stock Commercial Bank for Industry and Trade 2015 - 2019**

#### **2.2.1. Risk groups are related to organizational model, staff and workplace safety**

**Unit: Error**



**Figure 2.3. The risk data is related to the organization and staff model**

Number of risk events related to workplace safety by causes such as fire, explosion, damage to tangible property, force majeure events such as intentional sabotage, violence, terrorism, natural disasters, floods ... In 2019, there were 3,217 events, a decrease of 16% compared to 2018 and a decrease

of 28% compared to 2017. However, in 2016, the number of events related to workplace safety risks increased 8 % compared to 2015 to 4,612 events.

### **2.2.2. Risk group related to mechanisms, policies and regulations**

In the period 2015 - 2019, the Risk Management Department has gathered 420 comments from Branches, Business Units and Departments / Departments on unclear, irrational and overlapping points for more than 30 regulations and professional process related to 8 types of operational risk and 135 comments from Branches, Business Units and related Departments / Departments about the gaps in regulations and professional processes for 4 specific types of operational risk .

### **2.2.3. Fraudulent acts and outside crimes**

**Table 2.3. The risk error data is related to the external factor**

<b>No.</b>	<b>Content</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1	Forged guarantee letter	56	43	42	36	32
2	Bank card fraud	324	317	265	247	182
3	Forged vouchers	15,467	17,288	11,498	12,159	10,932
4	Attack at ATMs	87	65	45	76	58
5	Infiltrate the IT system	121	98	104	74	86
6	Acts of theft, robbery	165	142	93	127	105
	<b>Total</b>	<b>16,169</b>	<b>17,953</b>	<b>12,047</b>	<b>12,719</b>	<b>11,395</b>

### **2.2.4. Fraudulent acts and internal crimes**

Fraudulent acts and internal crimes of Vietinbank in the period 2015 - 2019 arose mainly because bank officials and employees took advantage of positions, powers and loopholes in the operation process, caused loss of the bank's assets or performed duties improperly with their powers, acted beyond their authority, or took advantage of internal information for self-seeking.

### **2.2.5. Risk groups are related to the staff handling process**

The number of errors related to the processing of employees' work tends to decrease with an average rate of reduction of 15.5% / year in the period from 2015

to 2019, specifically: in 2019, the bank had 52,157 errors with a decrease by 41.5% compared to 2018 and 78.2% compared to 2015. In 2017, there were 118,165 errors in the bank, reduced 32.4% in comparison with 2016 and 50.6% in comparison with that of 2015.

#### **2.2.6. Risks related to IT**

In the period from 2015 to 2019, the number of errors occurred but there was a downward trend. In 2019, there were 1,327 IT system-related errors, with a decrease of 12% compared to 2018 and 16% compared to 2017. In 2016, the number of errors was 1,854, decrease 8% compared to 2015.

#### **2.2.7. Analyze operational risk situation at Vietinbank for the period 2015-2019**

The thesis analyzes the operational risk situation at Vietinbank based on the criteria of the number of operational risk signs arising in the reporting period, based on the criteria of the probability of the occurrence of risk signs, based on the criteria of the number of incidents generated during the period and based on the target the total amount of losses (in cash) that occurred in the reporting period.

### **2.3. The status of operational risk management of Vietinbank**

#### **2.3.1. The legal basis for operational risk management of Vietinbank**

##### **2.3.1.1. System of documents and policies on operational risk management of the State Bank**

The State Bank of Vietnam has gradually issued documents, policies, regulations, decisions, circulars guiding policies, guidance and support to manage and promptly adjust the operations of the commercial bank system.

##### **2.3.1.2. The system of internal documents and regulations on operational risk management of Vietinbank**

Based on the legal corridor, the system of documents and policies on operational risk management of the State Bank and based on the goals, strategies and actual business performance of each period, Vietinbank has gradually built a system of appropriate internal documents and regulations on operational risk



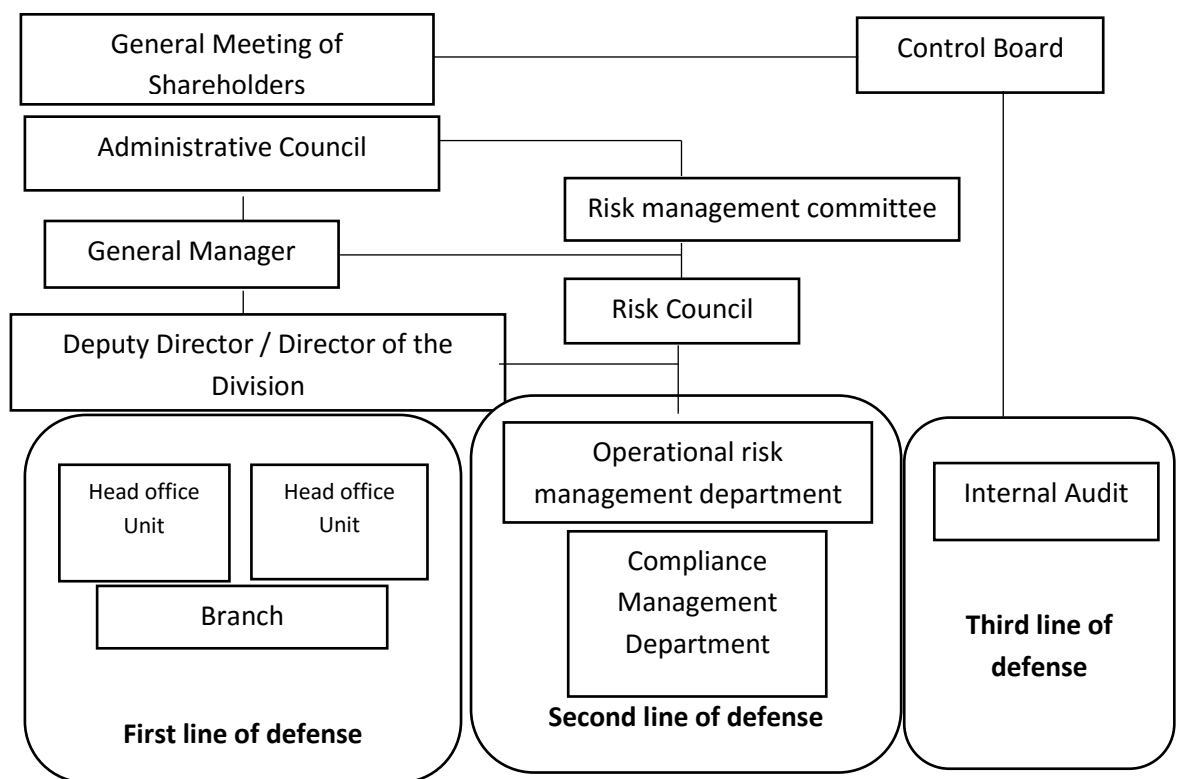
management in order to grasp the objectives and disseminate regulations on operational risk management for all officers and employees.

### 2.3.2. Current situation of operational risk management at Vietnam Joint Stock Commercial Bank for Industry and Trade from 2015 - 2019

#### 2.3.2.1. Content of operational risk management at Vietinbank

##### a. Organizational situation of operational risk management

The organizational model of operational risk management with the participation of Divisions / Divisions / Departments at Vietinbank can be described as follows:



**Figure 2.2. The organizational structure of Risk Management of Vietinbank**

##### b. Current situation of using Vietinbank's operational risk management tool

The tools being used by Vietinbank include: Loss Data Collection (LDC); Self-assessment (RCSA); Key risk indicators (KRIs); Business continuity management (BCM); Funding for operational risks.

### **2.3.2.2. The status of the operational risk management process of Vietinbank.**

For each major type of operational risk, Vietinbank develops a process of risk management with 5 basic steps described in the following figure:



**Figure 2.3. Process of Risk Management of Vietinbank**

## **2.4. Assess the current situation of operational risk management of Vietinbank**

### **2.4.1. Achievements**

#### **2.4.1.1. Management views on operational risk management**

Vietinbank's Risk Management objectives are concretized in the Operational Risk Appetite Statement. The views of the Senior Management on Risk Management have shown consistency to the law.

#### **2.4.1.2 Risk management culture**

Vietinbank culture of risk management is done mainly through the training of risk management; specific risk management projects for each period and decentralization of risk management to employees

#### **2.4.1.3. The organization of the risk management**

The organizational structure of the risk management at Vietinbank is relatively complete with the participation of all leaders.

#### **2.3.1.4. Internal documents, policies and regulations on risk management**

The official documentary and promulgation of the Risk Management Framework with many important contents such as concepts, governance structures, operational risk management tools, and risk management activities at Vietinbank is clear and transparent.

#### **2.4.1.5. The operational risk management process**

The work of identifying natural risks at Vietinbank is quite well built and the actual implementation also meets the requirements

#### **2.4.1.6. The IT system**

The technology platform has allowed Vietinbank's operational risk management in general and operational risk management in particular to apply advanced risk management software such as the SAS software - a risk management software.

#### **2.4.1.7. Risk management communication**

The main communication channels used by Vietinbank include: the Bank's official website, the nationwide risk of disaster alerts, the risk management newsletter, communication through risk management seminars, and organizing competition to learn about Risk management.

#### **2.3.2. Limitations**

In addition to the achievements, the risk management of Vietinbank still reveals the limitations shown in the aspects: strategy, objectives of risk management, internal document system, process, regulations on risk management, organization, training, assigning responsibilities, decentralizing, risk management processes, operational risk management tools and operational risk prevention measures, IT systems, information disclosure.

### **2.4.3. The cause of the restriction**

#### **2.4.3.1. Group of objective causes**

Group of objective causes include: the complexity of Basel II, the ineffective operation system and legal corridor, the lack of specific guidance from the State Bank of Vietnam, the complex socio-economic environment.

#### **2.4.3.2. Group of subjective causes**

The group of subjective causes includes: constraints on the quantity and quality of personnel, bureaucratic work habits, inefficiencies, limited investment funding for risk management activities, business targets and public pressure.

## **CONCLUSION OF CHAPTER 2**

Through analyzing the current situation of natural risks and risk management of Vietinbank, Chapter 2 of the thesis has solved the following problems:

Firstly, the thesis has done research on the development process and business results, the current situation of operational risk of Vietinbank in the period from 2015 to 2019.

Secondly, the thesis has calculated and synthesized and processed data, thereby assessing the current situation of the management of operational risk of Vietinbank, evaluating the legal framework, organizational structure, the current management process, cultural awareness on the operational risk management of Vietinbank employees, the risk management tools that Vietinbank is using, and analyzing some typical operational risk events.

Thirdly, the thesis has assessed the strengths and weaknesses that still exist in the operational risk management of Vietinbank, thereby serving as a basis for researching and proposing appropriate solutions to complete the system of operational risk management of Vietinbank.

## **CHAPTER 3. SOLUTIONS TO PROMOTE OPERATION RISK MANAGEMENT OF VIETNAM JOINT STOCK COMMERCIAL BANK OF INDUSTRY AND TRADE**

### **3.1. Orientation, objectives and requirements to enhance the operational risk management of Vietinbank**

In this content, the thesis has mentioned the socio-economic context affecting Vietinbank's business operations and risk management as well as Vietinbank's development goals and orientation to 2025 and the requirements to strengthen operational risk management of Vietinbank

### **3.2. Solutions to enhance risk management of Vietinbank**

#### **3.2.1. Complete the operational risk management strategy and objectives of Vietinbank**

In order to enhance operational risk management at VietinBank, the completion of operational risk management strategy and objectives are consistent with international practices and Basel II standards, as well as in line with the overall development goals of Vietinbank

#### **3.2.2. Review, supplement, amend and complete the system of documents, regimes, regulations and processes for risk management of Vietinbank**

In order for the system of regimes, regulations and processes to be unified and ensure compliance, policies issued on operational risk management must be in accordance with the regulations, must be complete, timely and innovative.

#### **3.2.3. Complete and enhance the effectiveness and efficiency of the risk management apparatus of the Joint Stock Commercial Bank of Industry and Trade of Vietnam**

This measure includes: completing the three-round model of operational risk management, maintaining and completing the operational

risk management organizational structure with clear functions and tasks, reforming the organizational model of banking management.

#### **3.2.4. Complete the system of overall risk tolerance, critical risk assessment and operational risk management towards an advanced measurement approach - AMA**

To manage operational risk towards an advanced measurement approach - AMA, VietinBank needs to determine the bank's overall risk tolerance level and develop KRIs for each type of operational risk.

#### **3.2.5. Complete operational risk measurement tools**

In order for the application of tools according to international practices to be effective in enhancing risk management, VietinBank needs to develop and standardize its own regulatory document system, a general overview of the risk management process and guidance on how Applying these tools, avoiding the situation that the content of the application of risk management tools is only mentioned in general, and lacks specificity.

#### **3.2.6. Renovate the training of staff for the entire system and the risk management staff, promote the risk management culture, and improve the labor remuneration regime.**

VietinBank should pay attention to recruit, train and build a cultural environment, creating cohesion among officers and employees, and at the same time, it is necessary to implement the policy of remuneration and attracting talents, and suitable human resources, science and specialization.

#### **3.2.7. Strengthen inspection and supervision of operational risk management of Joint Stock Commercial Bank for Industry and Trade of Vietnam**

VietinBank needs to build up the internal audit operation charter with complete and clear contents such as the purpose and scope of internal audit; requirements for internal audit must be complied with working process of

internal audit with units inside and outside the bank, with State management agencies, ...

### **3.2.8. Improving the database system and technology system in operational risk management of Vietinbank**

To standardize and improve the ability to exploit databases, VietinBank should research to enrich and standardize the data environment, supplement and complete programs and software used in risk management.

### **3.3. Some recommendations to implement proposed solutions**

In order to facilitate the implementation of the above solutions, the thesis has proposed a number of recommendations to the State Bank of Vietnam and the Banking Association.

## **CONCLUSION OF CHAPTER 3**

On the basis of the theoretical framework of Chapter 1, operational risk situation and operational risk management of Chapter 2 and Chapter 3, the thesis has proposed a system of solutions to enhance the management of operational risks of Vietinbank. The system of solutions is proposed on the basis of the theoretical framework, the situation of the risk management of Vietinbank. In addition, Chapter 3 of the thesis has also mentioned a number of recommendations to State management agencies to support commercial banks in general and Vietinbank in particular.

## CONCLUSION

With the goal of improving operational risk management toward sustainable growth of Vietinbank, by using a combination of research methods based on theory and practice, the thesis has solved the following issues. :

Firstly, systematizing the theoretical bases on operational risk and risk management of commercial banks, to propose new changes when banks are implementing Basel II Agreement, systematizing experiences on strengthening risk management of some commercial banks in the world, thereby drawing some valuable lessons to enhance the operational risk management of Vietinbank.

Secondly, using the theoretical knowledge of operational risk and operational risk management to analyze, evaluate current situation of operational risk management of Vietinbank for the period of 2015 – 2019 and pointing out the achievements, limitations and causes of the limitations.

Thirdly, proposing new solutions and recommendation improve the operational risk management capacity of Vietinbank.

Under the guidance of my instructors, I have completed this thesis in the most complete and meaningful way. However, due to inadequate research knowledge and experience, the thesis cannot avoid certain limitations, I am expected to receive suggestion from scientists and reader to improve the thesis.

Sincerely thank you!