

e-learning and reference solutions for the global finance professional

Operational Risk Management

A comprehensive e-learning product covering sound
Operational Risk Management Framework, Methodologies and Practices

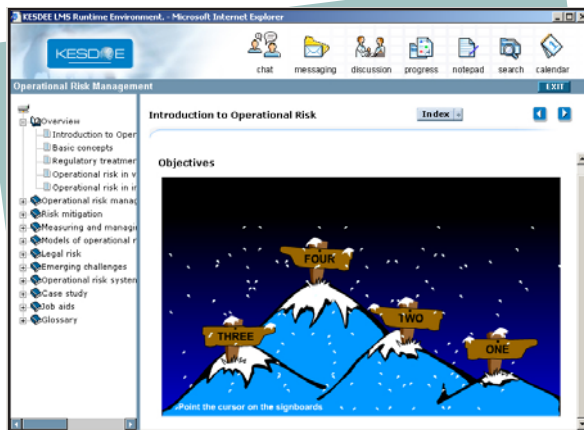
After completing this course, you will be conversant with:

- A framework and methodology for measuring and modeling Operational Risk
- How to identify, analyze, measure and manage risks by employing models and methodologies
- Various softwares offered by vendors for Operation Risk Management



OPERATIONAL RISK MANAGEMENT

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Overview

Changes in markets, techniques, technologies, and products have altered the landscape of Operations and fueled the explosive development of Operational Risk management. The regulators of financial and public companies are demanding a far greater level of disclosure and awareness by directors about the risks they manage and the effectiveness of the controls they have in place to reduce or mitigate these risks. There is also a greater realization that a major source of earnings volatility can be attributed to the way a firm operates and not “financial risk”. All these changes have triggered the need for an efficient Operational Risk Management system in organizations.

Course Level & Number of Courses

Intermediate Level
Library of 21 Courses

Instructional Method

Dynamic, Interactive e-learning

Recommended Background

Familiarity with basic financial concepts

The themes of this product are:

Proposes the development of Operational Risk Management in financial institutions as a distinct function with its own process, structure, tools and measures

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Time taken to complete each Course: Two - Three hours

1. Introduction to Operational Risk

- Objectives
- Defining operational risk
- Significance of operational risk
- Operational risk management programs
- Addressing operational risk
- Measuring and modeling operational risk

2. Basic Concepts

- Objectives
- Loss events
- Risk Factors, loss types and event/ factor controllability
- Dependencies between Risk Factors and Events
- Attribution of Loss

3. Regulatory Treatment of Operational Risk under Basel-II

- Objectives
- Introduction, Definitions and data issues
- Measurement Methodologies
- Role of Pillars 2 and 3
- Sound Practices

4. Operational Risk in Various Banking Sectors

- Objectives
- Introduction and Spectrum of Risks
- Accounting policies, costing and pricing models
- Private banking sector

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5. Operational Risk in insurance

- Objectives
- Introduction
- Risks exclusive to insurance and Regulatory Issues
- Alternative Risk Transfer and Finite Risk Captives
- Captives

6. Developing objectives and identifying risks

- Objectives
- Risk Management Agenda
- Risk Management Targets
- Risk Management Organization and Policies
- Benchmarking Internal Processes and Resources
- Identifying Process and Resource Risks
- Identifying Risk Factors
- Identifying and Categorizing Loss Events

7. Estimating potential losses – Data

- Objectives
- Challenges to Operational Risk analysis
- General measurement techniques
- Historical analysis
- Subjective risk assessment

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8. Estimating potential losses – Loss distributions

- Objectives
- Overview of probability distributions
- Building a distribution
- Probability distributions
- Estimating risk factors
- Choosing an event distribution
- Operational Risk database

9. Analyzing risks

- Objectives
- Aggregating risks
- Monte Carlo loss simulation
- Risk management alternatives
- Analyzing loss events
- Analyzing risky processes and resources
- Analyzing risk factors

10. Loss prediction and prevention

- Objectives
- Loss prediction
- Loss prevention
- Process reengineering and work restructuring
- Product redesign and automation
- Human factors engineering
- ERP and reliability maintenance

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11. Loss control

- Objectives
- Introduction
- Diagnostic controls and Inventory management
- Redundant systems and boundary systems
- Computer security and physical security management
- Internal and external audit

12. Loss reduction and risk avoidance

- Objectives
- Legal risk reduction and loss isolation
- Contingency Planning
- Crisis Management
- Risk avoidance
- Quality management
- Human resources management
- Organizational design, Culture and relationship management

13. Risk financing

- Objectives
- Introduction
- Financial restructuring
- Asset-Liability Management
- Corporate diversification
- Insurance
- Self-Insurance
- Hedging using derivatives
- Contractual risk transfer

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14. Measurement framework

- Objectives
- ORM cycle
- Framework criteria and assumptions
- Current framework approaches
- Measurement process for ORM
- Delta and EVT methodologies

15. ORM in practice

- Objectives
- Learning and response loops
- Guidelines for effective reporting
- Event reports and Operational profiles
- Risk reports
- Evaluating and updating the risk model
- Implementing bank-wide ORM

16. Enterprise-wide Risk Management (ERM)

- Objectives
- Role of technology
- Enterprise-wide risk information systems
- Challenges to ERM
- Project Management for an ERM system

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17. Basic and causal models

- Objectives
- Operational Risk Management (ORM) model
- Top-down risk models
- Bottom-up risk models
- Selecting a risk model
- Causal models

18. Legal risk and taxation rules

- Objectives
- Introduction
- Contract enforcement
- Board of directors and shareholder activism
- Management responsibility for legal risk
- Transparency and collateral
- Shifting ground in international taxation

19. E-banking

- Objectives
- Introduction
- Operational risks associated with Electronic Banking
- Security risk
- Systems design, implementation, and maintenance flaws
- Customer misuse of products and services

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20. Systems and software

- Objectives
- Introduction
- Framework/Components of an operational risk system
- Operational risk software
- AMELIA
- MICROBANK
- Relex software
- ALGORITHMICS

21. Case study Barings

- Objectives
- Overview
- How the massive losses were incurred
- Lessons to be drawn from the incident

JOB AIDS

- Measurement Tools
- Disclosures
- Global Best Practices
- Policy Templates

Calculators in Operational Risk Management

1. Probability Distributions
2. Capital Charge Under the Basic Indicator Approach
3. Capital Charge Under the Standardized Approach
4. Internal Measurement Approach

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