

FUNDAMENTALS OF OPERATIONAL RISK MANAGEMENT

Gain a unique practical insight into mitigating, reducing & avoiding enterprise-wide operational risk in financial institutions.

Course overview

Operational Risk discipline has developed and moved a long way since the years of being a 'poor cousin' of credit and market risk. With continued regulatory focus and catastrophic industry events, operational risk has become a crucial topic of the senior management's agenda. This interactive, practical course will leave the delegates with a broad knowledge of how operational risk is defined and distinguished. Participants will gain an understanding of the fundamentals of operational risk in financial services, as well as focus on the core components of the operational risk framework – losses and near misses, risk and control self-assessments and key risk indicators. Delegates will be also introduced to the challenging subject of operational risk appetite. Participants will examine case studies of recent operational risk failures, review and become aware of the concepts of 'impact and likelihood' risk grading scales and can practise using them while identifying their 'top risks'. The course will help the delegates understand why operational risk remains high on the regulatory agenda; consider Basel Committee guidelines and compare the focus of regulators globally.

Target Participants

This course has been designed to appeal to the following professionals:

- Directors and Senior Executives
- Internal Audit,
- Compliance & Risk functions
- Operational Risk Managers
- Compliance Officers
- Audit Professionals
- Operations Managers
- Governance & Control professionals
- All those individuals responsible for implementing best practice operational risk management practices in their organization.

Course Objectives

This interactive course provides an essential update for senior executives and risk and control professionals, allowing them to:

- Understand how Operational Risk discipline has progressed over the years and why it remains in focus
- Review the approaches to building an effective Operational Risk Framework
- Structure a value-added operational risk identification and assessment program
- Understand how to integrate Operational Risk with Business Strategy
- Attain best practice in Loss data collection, RCSA and Key Risk Indicators (KRIs)
- Enhance loss data collection processes, incorporating latest Basel Committee requirements aimed at improving the quality of risk data
- Find meaningful ways to define an operational risk appetite
- Review case studies and practice through group exercises
- Interact with fellow practitioners and benchmark the maturity of their Operational Risk framework with peers

COURSE CONTENTS

WHAT IS OPERATION RISK?

Factors Influencing the Importance of Operational Risk

- Market consolidation and margin squeeze
- The complexity and sophistication of IT systems
- Regulatory and risk capital allocation pressures
- Hidden risks posed by complex financial products
- Improved communications and reliance upon efficient IT systems and STP

Identifying and Classifying Operational Risk Categories

- Fraud
- Systems and operations

- Communication
- Documentation

ANALYSING SPECIFIC RISK

Technology

- Systems failure
- Programming errors
- Telecoms

Delegates analyse the operational risks in project management

People

- Incompetence
- Fraud
- Key person
- Performance

- HR risks

Delegates will be required to identify and manage operational risk in a personnel issue

Process

- Execution error
- Record keeping errors
- Transaction and mismatching of trades
- Accounting risk
- Procedure failures

Delegates will be required to identify and manage operational risk in a process issue

GOVERNANCE & CONTROLS

The market crash and liquidity issues that surfaced in 2008 have focused attention on the governance and control standards in financial and corporate institutions. It is essential to establish an adequate structure to meet this requirement for higher standards in operational risk management.

Developing an Operational Risk Management Framework

- Objectives of operational risk management
- Responsibilities
 - developing a risk awareness culture
 - developing operational risk management procedures
- Operational risk management techniques
 - Self Assessment

- Benchmarking effectiveness of controls
- Allocating operational risk costs
- Awareness of the impact of and adherence to directives such as Basel, MiFID, AIFM etc.

Rogue Trading and Fraud

How did some of the key industry events happen and what were the operational risk management failures?

MEASURING OPERATIONAL RISK

Being able to identify the risk and react to a risk event in a controlled and effective way is crucially important. In this session we look at the methodology used to identify the risk and its characteristics as well as how to manage the risk event and the post event environment.

Understanding the Risk Impact

- What is measured and how
- What not to measure
- The interpretation of information
- Incident reports
- Capital allocation assumptions
- Lessons learned and taking positives from risk events

Utilising Risk Measurement Techniques

- What type of practical measurement techniques are there?
- How do KRIs and KPIs work?
- Self-Assessment Techniques

Analysing a Major Risk Situation

Working in teams delegates will be presented with a scenario that is occurring in:

- A financial institution
- A corporate business

The teams tasks will be:

- Establishing the risks, risk events that have or are about to happen and analysing the risk profile faced by the firm
- Analysing incident reports and management information to establish the creditability of the control process
- Creating a road map of the potential causes of the risk situation
- Creating a road map for the lessons learned from an event

- Creating a set of suggestions for the business to follow to resolve the risk situation
- Prepare a list of the commonalities and differences in the operational risk

Analysing a Situation

- Identifying potential risks
- Identifying killer risks
- Identifying the cause of the risk situations
- Devising the recovery plan

MANAGING & IMPLEMENTING THE OPERATIONAL RISK MANAGEMENT POLICY

Generic Approaches

- Do nothing
- Insurance
- Risk profiles mapping
- Management Information System
- Straight Through Processing (STP)
- Processes and controls
- Overcoming data incompatibility
- Systems reconciliation

Soft Issues

- Building risk awareness culture
- Building consensus on risk allocation policies

- Building sense of responsibility for risk reduction
- Overcoming resistance to change and establishing clear, straight through communication channels
- Corporate governance

Identifying and Tackling Line Management Issues

- Assessing the level of senior management buy-in to operational risk solutions
- Understanding reporting lines and roles/responsibilities
- Implementing effective management control
- Empowerment and staff control

End of Course & Closure.

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for enquiries.			