

RISK QUANTIFICATION IN OPERATIONAL RISK



4th - 5th December 2018, Kuala Lumpur

With some years of loss data collection now achieved, directors and regulators are expecting more and better use of it. CROs and Operational Risk managers need to upgrade the information and recommendations about risk strategies and about how to allocate resources for best control. OR units need to develop quantitative methods to demonstrate the reports and recommendations are based on fact and data, both from internal loss events and also from data outside the firm and combining it with expert opinion.

Regulators increasingly emphasise that banks should improve knowledge of how they could suffer major losses, and know how best to limit them. Use of quantitative techniques and data has to be greatly increased.

In this course, techniques for improving the quantitative assessment of risks, and especially the potential for the most significant losses, will be presented with worked examples and short practice exercises.

KEY LEARNING OUTCOMES

- Recognize the regulatory requirements for risk assessment
- Evaluate the effectiveness of the controls in place and measure its performance
- Manage data breaks and inconsistencies
- Distinguish facilitation techniques for risk and control assessments
- Examine the quantitative methods for stress testing
- Handle interrelationships between risks through Bayesian methods
- Formulate effective risk reporting to the management

AGENDA

The Importance of Risk Quantification

- o Value to Directors and Management
- o Function in the Risk Management Framework

Regulatory Requirements for Risk Assessment

- o Assessment in Regulation of Banking, Insurance and other Financial Sectors

The Risk Management Framework

- o Importance to Risk Strategy and Risk Management Priorities
- o Importance to Risk Reporting

Risk Identification*

- o Compiling a Risk Register with Example
- o Understanding Risks and Loss Events
 - How Risks can impact on a Firm
 - Quantifying Impact and Definition of Loss
- o Classification of Risks
 - Why the Classification is important – effect on analysis
- o Root Cause Analysis
 - Causes and Events – Significance of the difference for Analysis

Control Effectiveness*

- o Measuring Control Performance
 - Use in Quantitative Risk Assessment
 - Worked Example
- o Risk and Control Interrelationships – Case Study
- o Process Mapping – Worked Example

Risk Assessment *

- o Loss Data Base
 - Loss Event Data to enable analyses and Action Plans
 - Use of Indices for Risks, Controls, Events
- o Loss Event Collection
 - Importance of Consistency of Recording
- o Other Loss Data Sources
 - Blending Loss Data from different sources for Risk Assessment
- o Use of Inherent and Residual Exposure
- o Risk Modelling – Quantitative
 - Uses and Purposes of Modelling
 - Moments in Probability Distributions
 - Using Continuous and Discrete Data
- o Loss Distribution Assessment – Frequency and Severity
 - Quantifying Risks through Frequency and Severity models
 - Curve Fitting
 - Handling Data Breaks and Inconsistencies
- o Probability Distributions in use
 - Relationship of the Nature of the Risk with the Chosen Distribution

- Ease of Use of Different Distributions
- Use of Bayesian methods
- o Risk Estimation – Qualitative

The Risk and Control Assessment Process*

- o Building an Assessment Team
- o Facilitation Techniques for Risk and Control Assessments
- o Role of the Risk Manager

Major Exposures – Scenario Analysis and /Stress Testing*

- o The Tendency to Underestimate the Threat of Severe Events
- o Estimating extreme risks
 - Application of Stochastic Models
 - Alternative approaches
 - Impact Estimation of Potential Extreme Events
- o Planning Stress Testing, Scenario Analysis

Risk Aggregation

- o Combining Loss Distributions
 - Mathematical Methods
 - Simulations
- o Handling Interrelationships between Risks
 - Bayesian Methods
 - Decision Science techniques
 - Correlations – challenges in estimation
 - Validating Correlations
- o Useful Software
- o Combining Qualitative Risk Assessments

Linkage to Other Activities in the Risk Management Framework*

- o Risk Monitoring - KRIs
- o Reporting to Management
- o Risk Strategy and Appetite – Worked Example
- o Capital Adequacy

* All Topics will be illustrated with real examples. In addition * marks topics that will be supported by Case Studies, Examples, and Practical Exercises.

Schedule of the Seminar

- 0830 – 0900:** Registration
- 0900 – 1030:** Session 1
- 1030 – 1100:** Coffee Break
- 1100 – 1230:** Session 2
- 1230 – 1400:** Lunch & Prayer Break
- 1400 – 1530:** Session 3
- 1530 – 1600:** Coffee Break
- 1600 – 1730:** Session 4

SPEAKER



Edward Sankey
Past Chairman

*Institute of Operational Risk
(UK)*

Edward is a managing consultant in corporate and operational risk management in banks and insurance companies. His career has included in addition to the UK, an executive post in New York. His project assignments have also been in mainland Europe, Russia and elsewhere. He recently had a long assignment as Interim Director and Approved Person by the UK Regulator, Operational Risk and member of the Risk Committee at Santander UK. Edward has previously led risk consulting activities in Marsh Europe (in the MMC Group), City Practitioners, AEA Technology/Risk Solutions and KPMG. Projects have been in wholesale markets, retail and corporate banking, insurance, investment management, full range major banks, and for a regulator/supervisor.

They have covered:

- Directing operational risk management including scenario analysis for Directors and Risk Committee
- Upgrading risk management frameworks: information, organisation, and processes
- Assessment and control of strategic and operational risks
- Preparing Basel Capital Adequacy assessments and the Pillar 2 ICAAP Report (UK Capital Adequacy Assessment to the Regulator)
- Enhancing major projects, M&A, outsourcing through risk management
- Training directors, managers and staff in risk management

He is the Past Chairman and a Fellow of the Institute of Operational Risk, the leading professional body focusing on high standards in this risk field. Edward is also an Honorary Life Member of the Institute of Risk Management. He is a member of the City Values Forum set up by the Lord Mayors of London which focuses on organisations' cultures and individuals' behaviors.

Who Should Attend?

- Operational risk managers & staff
- Group risk management staff
- CROs
- Risk analysts
- Enterprise risk managers
- Compliance officers
- Internal auditors

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RM 17,500

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<input type="checkbox"/> 4 delegates (20% Discount)	RM3,199	RM12,797	RM11,517
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* Please note that prices do not include GST

* Further attractive packages are available for groups of more than five. Please contact us directly.

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