

OPERATIONAL RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

11th – 13th March 2019, Kuala Lumpur

Operational risk is inherent in all products, activities, processes and systems, and the effective management of operational risk is a fundamental element of a financial institution's risk management programme. The control of operational risk is concerned with good management which involves good corporate governance, risk culture, an effective framework of operational risk management policies, processes and systems, and effective and efficient systems of internal controls. This is a value-adding activity which impacts the achievement of organisational objectives, the stability of earnings and bottom line performance. Operational risk also affects an institution's credit rating, share price and reputation. Therefore, operational risk must be a key consideration for any business.

In the wake of rogue trading scandals, frauds, massive fines imposed by regulators for anti-money laundering breaches and misconduct, cyberattacks, data leakages and the financial and operational impact of extreme weather events, it is widely acknowledged that operational risk is by far the most significant risk faced by financial institutions.

Learning Objectives

This comprehensive course will provide practical working knowledge of the latest operational risk management practices.

Learn how to:

- Develop an operational risk framework that meets regulatory requirements
- Embed and enforce a good risk culture
- Implement an operational risk governance model
- Develop operational risk appetite statements and embed operational risk tolerance into risk management processes
- Identify, assess, treat, monitor and report operational risks
- Select effective key risk indicators to monitor operational risks
- Collect and classify operational risk event and loss data in accordance with regulatory requirements
- Compute operational risk regulatory capital
- Assess the effectiveness of your operational risk management framework

AGENDA

Day 1

Session 1

Operational Risk Management Trends and Top Risks – What's on the horizon

- Key drivers of operational risk
- Emerging operational risks and market trends
- Understanding operational risk causes, events and impact – The Bow Tie Diagram
- Operational Risk Taxonomy
- Risk connectivity, the relationship between operational risk and other financial and non-financial risks, boundary operational risk events
- Class discussion and experience sharing on emerging and rising risks in organisations

Session 2

Operational Risk Management Principles and Framework

- Basel Principles for the Sound Management of Operational Risk
- Bank Negara Malaysia Requirements on Operational Risk
- Business value of Operational Risk Management

Session 3

Risk Culture and conduct

- Definition of risk culture
- Key elements of a good risk culture
- How to embed, monitor and reinforce the desired risk culture
- Indicators of good risk culture
- Case studies and class discussion on risk culture

Session 4

Operational Risk Governance

- Key elements of an effective operational risk governance model, the Three Lines of Defence
- Typical Operational Risk Governance structure, and roles and responsibilities
- The interdependence of functional units within a firm as it relates to operational risk management.

Day 2

Session 5

Operational Risk Appetite

- Operational risk appetite and operational risk tolerance – the difference
- Operational risk appetite statements
- Risk assessment criteria, impact and likelihood scales and the risk rating matrix
- Embedding operational risk appetite into operational risk management processes
- Class exercise and discussion: Define a risk appetite statement for one or two of your top risks

Session 6

The Operational Risk Management Process

- Establishing the context
- Risk identification

- Risk assessment
- Risk treatment strategies
- Risk monitoring and review
- Communication and consultation
- Types of controls
- Evaluating control effectiveness

Session 7

Risk and Control Self-Assessments (RCSA)

- Top down and bottom up approaches for risk identification and assessment
- Deriving business value from RCSAs
- Planning and conducting an RCSA
- Common issues and challenges; how to overcome them
- Class exercise and discussion on RCSA using a sample RCSA template

Session 8

Scenario Analysis

- Scenario selection
- Planning and conducting a structured scenario assessment workshop
- Sample Scenario Template
- Issues and challenges

Session 9

Key Risk Indicators (KRI)

- How to select good and effective KRIs for monitoring operational risk
- Leading and lagging risk indicators
- Embedding risk tolerance into KRIs
- Process to successfully implement a KRI Framework
- Validating KRIs

Day 3

Session 10

Operational Risk Loss/Event Reporting

- Regulatory requirements for collecting and classifying operational risk loss and event data
- Financial and non-financial losses and costs of operational risk events
- Direct and indirect losses
- Boundary events – credit risk, market risk, business risk, strategic risk
- Key challenges in operational risk loss data collection and strategies to overcome them
- Case studies and Class exercises in classifying operational risk events (using Bank Negara ORION requirements)

Session 11

'Joining the Dots'

- Integrating operational risk data outputs and inputs
- Validation and back testing of operational risk data
- Deploying the ORM framework toolkit throughout the operational risk management cycle

AGENDA

Session 12

Operational Risk Action Plans

- Prioritisation of corrective actions
- Monitoring and tracking of action plans

Session 13

Operational Risk Capital

- Overview of the three approaches for calculating operational risk capital under Basel 2
- The Standardised Measurement Approach (SMA) for calculating operational risk capital under Basel 3

Session 14

Operational Risk Reporting

- Reporting the operational risk profile to the Operational Risk Committee and Board of Directors
- Typical contents of operational risk reports
- Risk escalation, risk aggregation
- Risk reporting challenges

Session 15

Assessing the Effectiveness of your ORM Framework

- Approaches for assessing effectiveness
- Indicators of effective embedding of the ORM Framework
- Framework Maturity

SPEAKER



Patricia Jalleh
Founder and CEO
(Enterprise Risk Associates,
Singapore)

Patricia Jalleh is the Founder and CEO of Enterprise Risk Associates, a boutique risk training and consultancy firm based in Singapore. She is a leading practitioner and expert in the operational risk industry and was recognised as one of the “Top 50 Faces for Operational Risk” by the Operational Risk & Compliance Magazine in January 2009. She has more than 25 years of experience in the financial services industry working in the fields of internal audit, technology, operations, operational risk management and risk strategy. She has held several leadership roles, including Executive Director for Risk Strategy and Group Head of Operational Risk Management at United Overseas Bank, Vice President of Operational Risk for Technology & Operations at DBS Bank, and Head of Operational Risk for Group Consumer Bank and Internal Audit Manager at Standard Chartered Bank.

Patricia has extensive experience in implementing operational risk management frameworks, policies, systems, tools and processes from the ground up, having pioneered the operational risk management function for a bank in 1996. At another bank, she was a lead member of their operational risk task force set up to develop and roll out an operational risk management framework within the Group. She has experience in training and building up ORM teams at new or merged bank subsidiaries. In 2009, she was instrumental in her bank achieving the QFC-Asian Banker Achievement Award for Risk Management.

Patricia’s expertise includes design and development of operational risk management frameworks, risk governance, risk appetite, policies, event/loss databases, internal controls, risk and control self-assessments, key risk indicators, scenario analysis and risk reporting. She has also developed frameworks for addressing new product and initiatives risk, business continuity risk, outsourcing risk and reputation risk.

She was the Chairman of the ASEAN Banking Association Sub-committee for Operational Risk (2007 – 2010), Chairman of the Operational Risk Management Task Force of the Association of Banks in Singapore (ABS) and member of the Risk Management Standing Committee of the ABS (2006 – 2010). She was a member of the Singapore Financial Industry Competency Standards Risk Management Advisory Panel and the Risk Management Working Group (2006 - 2011).

Patricia has delivered numerous presentations and trainings across Asia (Singapore, Malaysia, Hong Kong, Thailand, Indonesia, Philippines, Brunei, Taiwan, China, Vietnam, Cambodia). She is a trainer for the National University of Singapore Risk Management Institute (NUS-RMI) Specialist Diploma in Operational Risk Management and the Singapore Institute of Banking & Finance Certification in Operational Risk Management. She is also a trainer for the ISO 31000 Risk Management Standard and the GARP FRM

This course is of most benefit to:

- CROs
- Heads of Risk Management
- Heads of Operational Risk
- Operational Risk Managers
- Compliance officers
- Line managers
- Auditors
- Regulators & Consultants

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