

## **RISK QUANTIFICATION IN OPERATIONAL RISK**

**4<sup>th</sup> - 5<sup>th</sup> 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 additional quantitative techniques for risk estimation
- Gain confidence is using techniques in estimation
- Improve data for qualitative and quantitative methods
- Enhance the value to directors of the risk assessments and reporting
- Handle data breaks and inconsistencies
- Handle Interrelationships between risks
- Implement growing regulatory requirements and expectations of risk assessment
- Develop techniques for assessing major risks for scenario analysis and stress testing
- Improve Risk Identification and root cause analysis
- Assess control effectiveness
- Improve risk aggregation for Capital Adequacy assessments (Basel requirements)
- Formulate risk reporting through good KRIs and report formats

# AGENDA

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## 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 South East Asia, mainland Europe, Russia and elsewhere. He 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 Marsh and McLennan group of companies), 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
- Risk analysts
- Directors of risk management
- Heads of operational risk management
- CROs
- Enterprise risk managers
- Statistical managers and analysts
- Strategic risk managers
- Business continuity managers
- IT and IT security managers
- Internal auditors
- Internal audit managers
- Compliance officers
- Project managers
- Regulators and supervisory bodies

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**Associate Partner:**

**RM 17,500**

- Logo on all promotional activities
- 5 invitations for your colleagues and clients
- 25% discount on any additional delegate places
- Full coverage on the Seminar website including biography and hyperlinked logo
- Branding throughout the Seminar: Seminar Guide Cover, Buntings,
- Table-top space in the breakout area during the Seminar
- Guaranteed prime session participation
- One exclusive seat-drop during the Seminar
- Full delegate list within one week post Seminar
- Post-Seminar questionnaire results

**Partner:**

**RM 12,500**

- Logo on all promotional activities
- 2 invitations for your colleagues and clients
- Coverage on the Seminar website including biography and hyperlinked logo
- Guaranteed session participation
- Branding throughout the Seminar: Seminar Guide Cover, Buntings,
- Table-top space in the breakout area during the Seminar
- Delegate list within one week post Seminar
- Post-Seminar questionnaire results

The sponsor / Delegate will arrange for the payment in one installation of RM \_\_\_\_\_ exclusive of all taxes to REDmoney, within 14 days of invoice or before the event taking place (whichever is sooner).

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## BOOKING DETAILS

I am booking:	Price per Delegate	Total Price	Early Bird (10% Discount)
<input type="checkbox"/> 1 delegate	RM3,999	<b>RM3,999</b>	<b>RM3,599</b>
<input type="checkbox"/> 2 delegates (5% Discount)	RM3,799	<b>RM7,598</b>	<b>RM6,838</b>
<input type="checkbox"/> 3 delegates (15% Discount)	RM3,399	<b>RM10,197</b>	<b>RM9,178</b>
<input type="checkbox"/> 4 delegates (20% Discount)	RM3,199	<b>RM12,797</b>	<b>RM11,517</b>
<input type="checkbox"/> 5 delegates (30% Discount)	RM2,799	<b>RM13,997</b>	<b>RM12,597</b>

\* Please note that prices do not include GST

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

**Online training option:** I would like to also enrol for the online course, **Shariah Risk & Governance Framework for Islamic Financial Institutions** for the special price of RM200 per user. Please tick here

### Available Discounts

**Early Bird:** Registrations received on or before 2<sup>nd</sup> November 2018, will receive a 10% discount. No discount shall be given to registrations received after this cut-off date.

**Discount for Active Subscribers of Islamic Finance news:** If the delegate is a current IFN subscriber, he/she shall receive a flat 10% discount from the normal fee. Please tick here

**Loyalty Program:** 25% discount on other seminars attended within a 6-month period and non-transferrable. Please tick here

## DELEGATE DETAILS

Name	Job Title	Email address	Telephone
1 _____ / _____ / _____ / _____			
2 _____ / _____ / _____ / _____			
3 _____ / _____ / _____ / _____			
4 _____ / _____ / _____ / _____			
5 _____ / _____ / _____ / _____			

## WHO TO INVOICE AND CONTACT?

Please tell us who we should invoice. It is also helpful for us to have the name of an administrator with whom we can liaise directly.

Contact person for invoicing: \_\_\_\_\_ Job Title: \_\_\_\_\_

Email: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax: \_\_\_\_\_

Contact person to send administration details: \_\_\_\_\_

Job Title: \_\_\_\_\_ Email: \_\_\_\_\_ Tel: \_\_\_\_\_

Payment can be made by cheque or bank transfer. A notification will be sent to you once payment has been received.

I wish to pay by: Cheque/bankers draft  Telegraphic transfer  Credit Card

## APPROVING MANAGER

To process your registration we require the name and signature of a manager who is authorized by your organization to approve training expenditure.

Name: \_\_\_\_\_ Job Title: \_\_\_\_\_

Organization name: \_\_\_\_\_ Email: \_\_\_\_\_ Tel: \_\_\_\_\_

Authorizing signature \_\_\_\_\_ (mandatory)

Yes, I have read and understood the booking and cancellation policy below.

## SEND US YOUR REGISTRATION!

By email: [seminars@redmoneygroup.com](mailto:seminars@redmoneygroup.com) By fax: +603 2162 7810

You may also book online at <http://www.REDMoneyevents.com>

Please call us on: +603 2162 7800 or +603 2162 7802 if you require assistance.

Our address is: REDmoney, Suite 22-06, 22<sup>nd</sup> Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur

### Booking, Payment and Cancellation Policy – important, please read carefully

By completing, signing and sending us this registration form you are confirming delegate places on the seminar. You are also confirming your understanding of our Booking, Payment and Cancellation Policy.

**Cancellation:** If delegates cannot attend the seminar replacement participants are always welcome. Otherwise delegates must request in writing (letter, fax or email) to cancel registration/s or transfer to a different seminar at least 21 days before the seminar start date to be eligible for a refund, less a 5% administration fee. Delegates who cancel within 21 days of the seminar start date, or who do not attend, are liable to pay the full seminar fee and no refunds will be given. Instead fees will be converted to a IFN Seminars voucher equivalent to the original fee, less a 15% administration charge. This voucher is transferable within your organization and must be redeemed within one year of issue or become void. If a seminar is postponed for whatever reason delegate bookings will be automatically transferred to the new seminar date. Delegates who wish to transfer to a different seminar will be subject to the same terms as above and charged the difference in seminar fees. No refunds or seminar vouchers will be issued for a no-show.

**Payment Terms:** All seminars fees are to be received within 14 days of invoice date. REDmoney shall receive the full seminar fee with no deductions of any description. All telegraphic transfer fees, taxes and levies (domestic or otherwise) shall be borne by the sponsoring organization.

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Seminar Venue: Full details of the venue will be sent to you upon registration.

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