

Operational Risk Management

Duration: 2 Days

Objectives:

This two day program is designed to help market participants understand the implementation issues of Operational Risk Management in their organisations especially keeping in mind the Basel / Solvency guidelines. The workshop will include Operational Risk Management, Measurement, Validation, Stress Testing, Scenario Analysis, Monitoring, Best Practices and other relevant topics.

Methodology:

- Presentation and discussions
- Cases/ exercises/ examples
- Excel based case studies as and when required

Key Takeaways:

- Concept of Operational Risk, its measurement and management
- Considerations of Basel II and Basel III
- Operational Risk Framework
- ORM Principles
- Internal and External Loss Data
- ORM Assessment and Controls
- Scenario Analysis
- KRI determination
- Operational Risk Capital Modeling : BIA, TSA and AMA as per Basel guidelines
- Best practices and implementation issues

Contents:

- Concept of Operational Risk
- Operational Risk Management and Measurement
- **Operational risk examples in Treasury**
- Drivers of Operational Risk Management
- Considerations of Basel II and Basel III
 - What are the Basel regulatory expectations
 - ✓ The first pillar – Minimum capital requirements
 - ✓ The second pillar – Supervisory review
 - ✓ The third pillar – Market discipline
 - Overview of Basel Operational Risk Management Approaches : BIA, TSA, AMA
 - Modeling Operational Risk Capital
 - ✓ Economic Capital
 - ✓ Regulatory Capital
- Operational Risk Framework overview
 - Loss Data Collection
 - Risk and control self-assessment
 - Scenario Analysis
 - Key Risk Indicators
 - Reporting
- **Case Study of Barings Bank Collapse**
- Principles for Operational Risk Management as per Basel Guidelines
- Creating an operational risk policy boilerplate
- Operational Risk Loss Data Collection Process
 - Internal Data
 - External Data
- BASEL-II Detailed Loss Event Type Classification
- Challenges in Loss Data collection

- **Near miss, Types of recovery & losses**
- Case study of Societe Generale and External Event
- Risk and Control Assessments(RCSA)
 - RCSA Questionnaire Approach
 - RCSA Workshop Approach
 - Hybrid RCSA Method
 - RCSA Scoring Methods
 - Usage of Frequency and Severity Distribution
- **Scenario Analysis in Operational Risk**
 - Methods
 - Biases
 - Scenario Analysis Output
- Key Risk Indicators
 - Selecting KRIs
 - KRI Standards
 - KRI examples
 - KRI Challenges
- Reporting Framework of Operational Risks
 - Loss Data Reporting of Internal and External events
 - Action Tracking Reporting
- Operational Risk Capital Modelling and **capital calculation** : Detailed Quantification as per Basel Guidelines
 - Basic Indicator Approach
 - Standardised Approach
 - Advanced Measurement Approach
- **An overview of Standardized Measurement Approach-BASEL III**
- **Excel based case studies for operational risk capital modelling**
- Stress testing and back testing of models
- Implementation issues



- Best practices of operational risk management