Operational Risk Management

A comprehensive e-learning product covering sound Operational Risk Management Framework, Methodologies and Practices

After completing this course, you will be conversant with:

- A framework and methodology for measuring and modeling Operational Risk
- How to identify, analyze, measure and manage risks by employing models and methodologies
- Various softwares offered by vendors for Operation Risk Management
Overview

Changes in markets, techniques, technologies, and products have altered the landscape of Operations and fueled the explosive development of Operational Risk management. The regulators of financial and public companies are demanding a far greater level of disclosure and awareness by directors about the risks they manage and the effectiveness of the controls they have in place to reduce or mitigate these risks. There is also a greater realization that a major source of earnings volatility can be attributed to the way a firm operates and not “financial risk”. All these changes have triggered the need for an efficient Operational Risk Management system in Organizations.

Target Audience

Every professional involved in the global financial services industry (as a provider, user, regulator or advisor of product/services, marketplace/exchange) would benefit from KESDEE’s innovative solutions.

- Supervisory Agencies
- Central Banks
- Financial Institutions
- Commercial Banks
- Investment Banks
- Housing Societies/Thrifts
- Mutual Funds
- Brokerage Houses
- Stock Exchanges
- Derivatives Exchanges
- Insurance Companies
- Multinational Corporations
- Accountancy Firms
- Consultancy Firms
- Law Firms
- Rating Agencies
- Multi-lateral Financial Institutions
- Others

The themes of this product are:

- Proposes the development of Operational Risk Management in financial institutions as a distinct function with its own process, structure, tools and measures
1. Introduction to Operational Risk
- Objectives
- Defining operational risk
- Significance of operational risk
- Operational risk management programs
- Addressing operational risk
- Measuring and modeling operational risk

2. Basic Concepts
- Objectives
- Loss events
- Risk Factors, loss types and event/factor controllability
- Dependencies between Risk Factors and Events
- Attribution of Loss

3. Regulatory Treatment of Operational Risk under Basel-II
- Objectives
- Introduction, Definitions and data issues
- Measurement Methodologies
- Role of Pillars 2 and 3
- Sound Practices

4. Operational Risk in Various Banking Sectors
- Objectives
- Introduction and Spectrum of Risks
- Accounting policies, costing and pricing models
- Private banking sector

5. Operational Risk in insurance
- Objectives
- Introduction
- Risks exclusive to insurance and Regulatory Issues
- Alternative Risk Transfer and Finite Risk Captives
- Captives

6. Developing objectives and identifying risks
- Objectives
- Risk Management Agenda
- Risk Management Targets
- Risk Management Organization and Policies
- Benchmarking Internal Processes and Resources
- Identifying Process and Resource Risks
- Identifying Risk Factors
- Identifying and Categorizing Loss Events

7. Estimating potential losses – Data
- Objectives
- Challenges to Operational Risk analysis
- General measurement techniques
- Historical analysis
- Subjective risk assessment

8. Estimating potential losses – Loss distributions
- Objectives
- Overview of probability distributions
- Building a distribution
- Probability distributions
- Estimating risk factors
- Choosing an event distribution
- Operational Risk database

9. Analyzing risks
- Objectives
- Aggregating risks
- Monte Carlo loss simulation
- Risk management alternatives
- Analyzing loss events
- Analyzing risky processes and resources
- Analyzing risk factors

10. Loss prediction and prevention
- Objectives
- Loss prediction
- Loss prevention
- Process reengineering and work restructuring
- Product redesign and automation
- Human factors engineering
- ERP and reliability maintenance

11. Loss control
- Objectives
- Introduction
- Diagnostic controls and Inventory management
- Redundant systems and boundary systems
- Computer security and physical security management
- Internal and external audit

12. Loss reduction and risk avoidance
- Objectives
- Legal risk reduction and loss isolation
- Contingency Planning
- Crisis Management
- Risk avoidance
- Quality management
- Human resources management
- Organizational design, Culture and relationship management
### 13. Risk financing
- Objectives
- Introduction
- Financial restructuring
- Asset-Liability Management
- Corporate diversification
- Insurance
- Self-Insurance
- Hedging using derivatives
- Contractual risk transfer

### 14. Measurement framework
- Objectives
- ORM cycle
- Framework criteria and assumptions
- Current framework approaches
- Measurement process for ORM
- Delta and EVT methodologies

### 15. ORM in practice
- Objectives
- Learning and response loops
- Guidelines for effective reporting
- Event reports and Operational profiles
- Risk reports
- Evaluating and updating the risk model
- Implementing bank-wide ORM

### 16. Enterprise-wide Risk Management (ERM)
- Objectives
- Role of technology
- Enterprise-wide risk information systems
- Challenges to ERM
- Project Management for an ERM system

### 17. Basic and causal models
- Objectives
- Operational Risk Management (ORM) model
- Top-down risk models
- Bottom-up risk models
- Selecting a risk model
- Causal models

### 18. Legal risk and taxation rules
- Objectives
- Introduction
- Contract enforcement
- Board of directors and shareholder activism
- Management responsibility for legal risk
- Transparency and collateral
- Shifting ground in international taxation

### 19. E-banking
- Objectives
- Introduction
- Operational risks associated with Electronic Banking
- Security risk
- Systems design, implementation, and maintenance flaws
- Customer misuse of products and services

### 20. Systems and software
- Objectives
- Introduction
- Framework/Components of an operational risk system
- Operational risk software
- AMELIA
- MICROBANK
- Relex software
- ALGORITHMICS

### 21. Case study Barings
- Objectives
- Overview
- How the massive losses were incurred
- Lessons to be drawn from the incident

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**Time taken to complete each Course:** Two - Three hours

**JOB AIDS**
- Measurement Tools
- Disclosures
- Global Best Practices
- Policy Templates

**Calculators in Market Risk:**
**Basic Level**
1. Probability Distributions
2. Capital Charge Under the Basic Indicator Approach
3. Capital Charge Under the Standardized Approach
4. Internal Measurement Approach
# Available Products

## KESDEE’s Off-the-Shelf e-Learning Course Libraries

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* CTM: Corporate Treasury Management
* BBM: Bank Branch Management

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1. ePRM Coach                                         Library of 68 Courses
2. Associate ePRM Coach                                Library of 36 Courses
3. eFRM Coach for FRM Part I Exam                      Library of 37 Courses
4. eCoach for the CFA® Level I Program                 Library of 76 Courses

**Upcoming Products**

KESDEE has the required technology platform to respond to clients training requirements in the banking and financial services industry. We offer several solutions, each developed with the guidance of creditable experts. Given below are few of the forthcoming products:

- Agricultural Finance

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**KESDEE**

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