



## ACCOUNTING AND FINANCE

# Certificate Of Operational Risk Management

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## 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.

## Learning Objective

- A framework and methodology for measuring and modeling Operational Risk
  - How to identify, analyze, measure and manage risks by employing models and methodologies
  - Various software's offered by vendors for Operation Risk Management
- Every professional involved in the global financial services industry (as a provider, user, regulator or advisor of product/services, marketplace/exchange) would benefit from BTS's innovative solutions.

## Target Audience

- Supervisory Agencies
- Central Banks
- Financial Institutions
- Commercial Banks
- Investment Banks
- Housing Societies/Thriffs
- 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 Introduction to Operational Risk This module introduces the concept of Operational Risk. It helps the user to have a broad understanding of

## Course Details

- Significance of operational risk
- Operational risk management programs
- Addressing operational risk
- Measuring and modeling operational risk

- Basic Concepts this module discusses events that trigger losses in firms due to operational loss events: It helps the user understand:
  - Loss events
  - Risk factors, loss types and event/ factor controllability
  - Dependencies between risk factors and events
  - Attribution of loss
- Regulatory Treatment of Operational Risk under Basel II This module covers the Basel Committee on Banking Supervisions Working Paper on the Regulatory Treatment of Operational Risk. It helps the user understand:
  - Rationale for an operational risk charge
  - Basic indicator approach
  - Standardized approach
  - Advanced measurement approach
  - Analysis of quantitative impact survey result
  - Role of Pillars 2 and 3
- Operational Risk in Various Banking Sectors This module highlights various changes in the banking sector that have created operational risk scenarios. It helps the user understand:
  - Spectrum of risks in banking sector
  - Risk synergy in the context of retail banks
  - Structural risk management
  - Accounting policies, costing and pricing models
  - Operational risk in private banking sector
- Operational Risk in Insurance this module introduces operational risk aspects in insurance. It helps the user understand:
  - Risks exclusive to insurance
  - Regulatory issues and its impact

- Alternative risk transfer and finite risk
- Captive insurance companies
- Developing Objectives and Identifying Risks this module emphasizes the need to have a well-defined scope and process for identification of risk factors in operational risk management. It helps the user understand:
  - Risk management agenda and targets
  - Risk management organization and policies
  - Benchmarking internal processes and resources
  - Identifying process and resource risks
  - Identifying risk factors
  - Identifying and categorizing loss events
- Estimating Potential Losses - Data This module illustrates various methods of estimating potential loss data. It helps the user understand:
  - General measurement techniques
  - Historical analysis
  - Subjective risk assessment
- Estimating Potential Losses - Loss Distribution This module describes various forecasting models used in estimating the potential risk factors. It helps the user understand:
  - Probability distributions
  - Building a distribution
  - Estimating risk factors
  - Choosing an event distribution
  - Operational Risk database
- Analyzing Risks this module deals with risk analysis as a part of operational risk management. It helps the user understand:
  - Risks aggregation
  - Monte Carlo loss simulation

- Risk management alternatives
- Analyzing risky processes and resources
- Analyzing risk factors
- Loss Prediction and Prevention This module explains how loss prevention is more effective than loss reduction. It helps the user understand aspects such as:
  - Loss prediction
  - Loss prevention
  - Process reengineering and work restructuring
  - Product redesign and automation
  - Human factors engineering
  - ERP and reliability maintenance
- Loss Control This module examines various loss control measures. It helps the user understand:
  - Diagnostic controls and Inventory management
  - Redundant systems and boundary systems
  - Computer security and physical security management
  - Internal and external audit
- Loss Reduction and Risk Avoidance this module elaborates on the methods used in loss reduction and how risk avoidance is used as a risk mitigation method. It helps the user understand the following concepts:
  - Legal risk reduction and loss isolation
  - Contingency planning
  - Redundant systems and boundary systems
  - Crisis management
  - Risk avoidance
  - Quality management phases
  - Organizational design, culture and relationship management

- Risk financing this module presents basics of risk financing and its advantages and disadvantages. It also helps the user understand the following approaches to risk financing:

- Financial restructuring
- Asset-Liability Management
- Corporate diversification
- Insurance
- Self-Insurance
- Hedging using derivatives
- Contractual risk transfer

- Measurement Framework This module gives an insight into how a framework enables the management to identify and classify risks and take appropriate action. It helps the user understand:

- ORM cycle
- Framework criteria and assumptions
- Current framework approaches
- Measurement process for ORM
- Delta and EVT methodologies
- ORM in Practice This module analyzes the current operational risk management practices. It helps the user understand the following aspects in an ORM practice:

- 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

- Enterprise-wide Risk Management this module is aimed at signifying the role and importance of an enterprise-wide risk information system. It helps the user understand:
  - Enterprise-wide risk information systems
  - Challenges to ERM
  - Project Management for an ERM system
- Basic and Casual Models this module discusses various models in operational risk management. It helps the user understand:
  - Top-down risk models
  - Bottom-up risk models
  - Selecting a risk model
  - Causal models
- Legal Risk and Taxation Rules this module ascertains the impact of legal risk and taxation rules on an organization and methods of mitigating them. It helps the user understand aspects such as:
  - Issues in contract enforcement
  - Board of directors and shareholder activism
  - Management responsibility for legal risk
  - Transparency
- E-banking this module discusses the operational risk aspects of electronic banking. It helps the user understand:
  - Security risks in e-banking operations
  - Systems design, implementation, and maintenance flaws
  - Customer misuse of products and service
- Systems and Software This module gives the user an idea of operational risk system and its components. It also helps to understand:
  - Operational risk software
  - Some of the software in the market



- Case Study -Barings this module gives an insight into what lead to the collapse of Barings. It helps the user understand:
- Overview of the case
- How the massive losses were incurred
- Lessons to be drawn from the incident