

MEASURING & MANAGING OPERATIONAL RISK FOR BASEL II

WHY ATTEND?

Banks and other financial institutions are still wrestling with creating the right recipe for dealing with operational risk; finding a successful mix of quantitative and qualitative risk measurement is a different challenge for each bank. Moreover, from time to time, new types of crisis force a change in perspective. Whilst previously new instruments headed risk managers' 'danger' lists, today direct and indirect losses due to impaired reputation, poor corporate governance and legal damages are making the headlines. With regulators all considering how to respond to Pillar II of the Basel Accord, banks' pro-activity is growing.

Even after the June 2004 revision to the Accord, however, much still remains unclear regarding the practical implementation and the use of qualitative and quantitative techniques together. Knowing that implementing an operational risk management system will improve profitability, some firms are looking to move forward. But few banks have a sufficiently accurate measure of their operational risk in order to sensibly allocate economic capital, let alone to truly exploit operational risk for competitive advantage. Yet best operational practice and risk management – or lack of it – is destined to become evermore visible to customers, shareholders and regulators – as well as to potentially errant employees.

Led by an acknowledged expert in the field supported by a team of experienced guest lecturers, this 4 – day programme will provide you with the knowledge you need to review, benchmark and refine operational risk plans within your organisation. The course focuses on both qualitative and quantitative techniques, offering integrated solutions for operational risk and suggesting approaches to the problems that an institution will face in meeting these new demanding requirements.

COURSE METHODOLOGY

The course will consist of lectures, supplemented by case studies drawn from published real life examples or practical experience. The objective is for participants to fully understand the stages and techniques in implementing an operational risk structure that will meet the demands of your regulator and the Basel Accord as they continue to develop.

The nature of IT solutions available within the market place will also be introduced to enable attendees to move towards the development of solutions.

COURSE LEVEL

No previous detailed knowledge of either the Basel Accord or operational risk is required to achieve benefit from this course. However some knowledge would be an advantage and those involved directly in the process will benefit most from the programme. Delegates are not expected to have an advanced modelling or quantitative background.

www.euromoneytraining.com/uk

COURSE DIRECTOR

Dennis Cox is Chief Executive of **Risk Reward Limited**, a Strategy and Risk Consultancy, which specialises in developing operational risk solutions that are cost effective and meet regulatory demands. He was formerly Director, Risk Management at **HSBC Operational Risk Consultancy** and Director, Risk Management at **Prudential Portfolio Managers Limited**.

A qualified chartered accountant, Dennis has been involved with financial service companies for 20 years as director, employee or consultant. His work has covered retail banking, asset management, private banking, trade finance, derivatives, asset trading and branch banking. He has also specialised in strategy, fraud and forensic accounting assignments.

Among a range of external interests he is a Council member of the Institute of Chartered Accountants in England & Wales, a member of the Professional Standards Board and of the money laundering committee. He chairs the Risk Forum for the Securities and Investments Institute and is a member of the Treasury Select Committee on the **Third Money Laundering Directive**

GUEST SPEAKERS

Neil Brown was the Head of Risk Management at Credit Suisse First Boston Asset Management. He previously served as Director of Global Risk in the Asset Management Division of HSBC, and as Head of Sales at Lloyds Bank Financial Futures. Neil also has extensive consulting experience with the London International Financial Futures and Options Exchange and the London Clearing House.

Martin Price is General Manager, European Operations at Methodware. For over a decade Methodware has been developing and supplying internal audit and risk management software solutions to organisations worldwide. Martin has a focus on the financial services industry and has successfully sold solutions to Central, Retail and Private Banks across Europe, Mortgage Lenders and Insurers.

He has worked in many countries throughout Europe, Middle East and Asia and speaks both Italian and French.

Martin holds a BSc (Hons.) in Physics and a Diploma in Industrial Studies.

VENUE & ADMINISTRATION

This programme take place on a non-residential basis at a central London hotel. Non-residential course fees include training facilities, documentation, lunches and refreshments for the duration of the programme.

Delegates are responsible for arranging their own accommodation, however a list of convenient hotels (many at specially negotiated rates) is available upon registration. As with all Euromoney Training programmes, on-site Euromoney administrators are with you throughout the programme to ensure smooth administration and group interaction.

Details of accommodation for all courses are available from the Euromoney Training Customer Services Hotline Tel: + 44 (0)20 7779 8780 or Email: Info@euromoneytraining.com

Agenda

Please note that timings are approximate and the order of topics could be subject to change, particularly if new material (Basel-related) is issued prior to the course.

Registration will be at 8:30am on day one. The course will begin at 9:00am and conclude at 5:30pm on each day.

Module 1

- The objectives of the Accord
- Definition of Operational Risk
- The difference between regulatory capital and economic capital
- The stages in building a successful operational risk strategy
- Calculation of an operational risk capital charge under the basic indicator approach
- Calculation of an operational risk capital charge under the standardised approach or alternative standardised approach
- Consideration of the partial approach and an introduction to the advanced measurement approach
- Risk identification

Practical case study

- The risks of outsourcing
 - A brief review of the issues regarding outsourcing

Short case study looking at totality of outsourcing

How to include outsourcing within an operational risk framework

- Risk appetite

Practical case study considering personal risk appetites

Practical case study concerning corporate risk appetites

- Risk prioritisation

Practical case study

Module 2

- Obtaining internal loss data
- Accuracy of internal loss data
- Relevance of internal loss data
- Requirements for an internal loss database
- Structure of an internal loss database

Practical case study on use of internal loss data

Practical case study linking to loss data to economic capital modelling

- Introduction to consideration of expected and unexpected losses

Module 3

- Business continuity planning
 - The BIS requirements
 - Cascading and escalating risk

Practical case study

- The key elements of an extreme event business continuity plan
- Key lessons from September 11
- Consideration of the two key types of external loss data
- The anchor cell principle
- The practical use of external loss data

Practical case study using lessons from major public events and designing practical scenarios

- Further consideration of expected and unexpected losses

Practical case study

Module 4

- Introduction to business process modelling
 - Identification of key controls
 - Consideration of linkage to loss data
 - Review of the types of approach available

Practical case study on business process modelling

- Control and Risk Self assessment
 - Demonstration of the typical technique applied
 - Review of the level of accuracy of data produced
 - Demonstration by guest lecturer of actual control and risk self assessment product
- Developing and designing key risk indicators
 - Consideration of the use of a balanced scorecard

Practical case studies using real business scenarios

Practical case study considering what can be done in practice

- Mitigating operational risk
 - The role of insurance
- The calculation of the advanced measurement approach operational risk capital charge
 - What will be done in practice?
 - Is it consistent with credit and market risk modelling?
 - How accurate will the calculation be?
- Operational risk and economic capital
- Summary of IT solutions currently available
- Potential pitfalls to a successful implementation
- Key issues and benefits from an operational risk programme

EXTRA MATERIAL

Additional material is available and will be provided to delegates. All delegates receive a full copy of the course, including detailed course notes on CD rom at the end of the course to supplement the material provided during the course.

If there is sufficient time available the following issues will also be addressed:

- The Sound Practices paper
- Developing operational risk policies
- Developing an operational risk structure that is appropriate for the firm
- Legal and compliance and operational risk
- HR and operational risk
- Mathematical modelling techniques for operational risk
- Risk correlation
- Developing a risk training programme

A range of additional materials will also be provided to course delegates. This will include a review of the products currently available. If there are specific additional issues either within the above list, or not included here, course participants are invited to contact Euromoney in advance of the course so that material can be specifically included.

The Course Director also provides course participants with a three-month "help desk" facility whereby specific questions that may arise in practice can be specifically addressed electronically.

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Practical Solutions to Measuring and Managing Operational Risk

PLEASE SEND ME FURTHER INFORMATION ON THE FORTHCOMING COURSES

- Credit Risk Models for Basel II
- Financial Risk Management School
- Operational Risk Management for Insurance
- Strategic Operations Academy
- Please send me the Euromoney Training Calendar

I wish to register for

Practical Solutions to Measuring and Managing Operational Risk

- 16 - 19 May 2006 (EIF1970)
- 23 - 26 October 2006 (EIF1971)

COURSE FEES:

Standard Course Fees

£3,250 (+ VAT @ 17.5%) Total £3,818.75

SAVE MONEY

Discounts are available for group bookings. Please call the Euromoney Training Hotline for further details

Course fees include tuition documentation, lunch and refreshments. Delegates are responsible for their own accommodation. Hotel details and rates are available on registration.

An invoice will be sent upon receipt of registration form. Please note that payment must be received prior to the course start.

CANCELLATION POLICY

A full refund less an administration fee of £100 will be given for cancellation requests received up to 20 working days before the event. Cancellations must be made in writing (letter or fax) and reach this office before the 20 working days deadline. Delegates who cancel less than 20 days before the event, or who don't attend, are liable to pay the full course fee and no refunds can be given. However, if you wish to attend the next course, and you have paid your course fee in full, you will only be invoiced for 25% of that course fee. Please note that the next course must take place within 6 months of the initial application. Of course, a replacement is always welcome.

DISCLAIMER

Euromoney Training reserves the right to change or cancel any part of its published programme due to unforeseen circumstances.

INCORRECT MAILING ADDRESS/ ADDRESSEE?

Please accept our apologies for mail which is incorrectly addressed. Should you wish to amend the address/ addressee details, please send or fax us a copy of the relevant mailing label (on the envelope or brochure) and we will update our records accordingly.

VAT

Under UK Excise regulations delegates from all countries are required to pay VAT @ 17.5% on all courses taking place in the UK. In many cases UK VAT is reclaimable, upon registration.

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Institutional Investor PLC group to contact you with details of products that may be of interest to you. As an international group we may transfer your data on a global basis for the purposes indicated above. If you object to contact by telephone fax or email please tick the relevant box. If you do not want us to share your information with other reputable companies please tick this box.

4 EASY WAYS TO REGISTER

Post this form to:

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and Ireland, Euromoney
Training, Nestor House,
Playhouse Yard, London
EC4V 5EX, UK

Fax this form to:

+44 (0)20 7779 8693

Go to our website:

www.euromoneytraining.com/uk

Email us @:

register@euromoneytraining.com

PLEASE QUOTE REF: 205TELE

PERSONAL DETAILS

Please print clearly or attach business card

Family Name _____ (Mr/Mrs/Ms)

First Name _____

Position _____

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Company _____

Address _____

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I have read and understood the booking terms and conditions

Signature _____ Date _____

PAYMENT DETAILS

Please Invoice me/ my institution. Purchase order no

CHEQUE enclosed with order for £ _____
made payable to Euromoney Training.

CREDIT CARD. Please debit my:

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Card number: _____

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SPONSOR

We wish to register this delegate for the course indicated above. We undertake to pay his/her fee and release him/her from all company responsibilities for the period of the programme.

(Please print clearly)

Name _____

Position _____

Signature _____ Date _____

Please find enclosed a cheque for £ _____
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An invoice will be sent upon receipt of registration form.
Payment is due within 30 days of invoice issue date.