



Operational Risk

From Measurement to Management and Leadership



Operational risk is a growing concern for many firms. With an increase in regulation, business complexity, the role of critical processes and systems, and the new wave of emerging technologies, operational risk will continue to grow in scale and significance for many firms. In this class, we will examine the features that make operational risk measurement challenging. We will review best practices for managing operational risk with special emphasis on its prevention and control and how leadership of the function can best be undertaken. The material is presented through real-life case studies, allowing us to explore how operational risk is handled by organizations and how failure to contain it can often lead to regulation and reputational harm.

The focus will be on the importance of operational risk in the financial services industry and the development of organizational capabilities to address it, including the communication of operational risk metrics, such as Key Risk Indicators (KRIs). We will review in detail the Basel methodologies for calculating economic capital for operational risk and examine advanced tools for operational risk preparation, including stress testing and scenario analysis. We will also examine operational risk in the context of an Enterprise Risk Management (ERM) framework. This course also presents how teams make decisions about operational risk and how the organizational culture impacts risk reporting, operational risk management, and the strategy of firms.

How you will benefit

- ✔ Learn best practices for managing operational risk
- ✔ Understand the metrics and methodologies for operational risk measurement
- ✔ Know how to lead operational risk teams
- ✔ Understand operational risk and Enterprise Risk Management (ERM) framework
- ✔ Learn more about linkages between operational risk, regulation, and brand harm

Who should attend?

This program is relevant to regulatory and compliance executives and risk management executives. Operational Risk teams, Enterprise Risk Management teams, Basel teams, and Audit Teams with focus on Operational Risk will also find it beneficial.

🕒 2 days

📅 10 – 11 October 2019

💰 € 2,500

Program Content

Day 1

Introduction to Operational Risk in Financial Services

- Operational risk in financial services, with emphasis on banking and insurance firms
- The differences from credit and market risk
- Real-life case: operational risk and its challenges for management
- Non-transferability of operational risk

Detection and Measurement of Operational Risk – Key Risk Indicators and Focus on Variance

Research by leading authorities shows that operational risk is highest when firms are confronted with complexity, novelty, and scale in business products and processes.

- The need to leverage novel measurement, such as Key Risk Indicators (KRIs) for the communication of operational risk in critical business processes
- How are KRIs used for operational risk detection
- Importance of key processes in financial services, such as customer interactions
- Introduce KRIs for operational risk measurement and process improvement

Making Risk-Based Decisions in Teams – Operational Risk and Business Strategy at Work

- Real-life case and simulation: how individuals process risk-based information; how teams react to risk-based information in the context of a business strategy question
- Explore overcoming organizational challenges (risk aversion, reporting biases, organizational focus)
- Risk-based decision making
- Importance of information in operational risk framing

Economic Capital Methodologies for Operational Risk – Basel Models and Modeling Requirements

- Review Basel II & III Operational Risk Requirements; Basic and Standardized Basel approaches
- Advanced Measurement Approach (AMA), with emphasis on process and data requirements
- How to leverage historical, internal, and external data in operational risk models
- Fat-tail analysis, extreme values, and the role of statistical models
- Best practices for leveraging IT, legal, audit, and operations for risk prevention

Day 2

Monte Carlo Simulation, Stress Testing, Scenario Analysis, and Advanced Modeling

- Monte Carlo simulation models for operational risk
- Stress testing
- Scenario analysis; Scenario development with experts and teams
- Leveraging scenario analysis for process improvement

The Role of Operational Risk in Enterprise Risk and the Importance of Impacts of Operational Risk to Customers

- Understand how operational risks can lead to regulation, brand attacks, and reputational harm
- Critical customer experiences and the systems that support these, such as critical IT systems
- Implicit expectations of customers in customer-facing operations and impact to operational risk
- Operational risk as it relates to legacy product businesses

Managing Operational Risk in Practice – Governance, Oversight, and Leadership

- Impact of major operational risk on customers; Punitive regulation and damaging reputational harm
- Real-life cases: the role of business leaders in responding to operational loss events and crises
- The role of operational risk in regulation
- Leadership best practices in communicating and reacting to major operational risk events
- Operational risk in the context of an enterprise risk management (ERM) framework

Getting Started with Operational Risk: The Path from Measurement to Management to Prevention

- Best practices for advancing operational risk management capabilities; Operational risk prevention
- Increased operational risk awareness; The development of operational loss data; Organizational best practices for managing the systems and processes that generate operational risk
- Best practices in operational risk; Trends in operational risk management in scale and activities
- Economic capital trends and norms for operational risk in banking and insurance
- Integration of audit and legal functions in operational risk management
- How to change culture and language on operational risk in your teams and organization

Enrolling & Practical Information

Enrollment requirements

AIF considers each enrollment application carefully to ensure the quality and level of the program is maintained and that participation of candidates is beneficial to both themselves and their organizations. The general prerequisite for all AIF programs is the possession of an academic or equivalent degree, as well as proficiency in English and practical experience.

Accommodation

AIF has special corporate rates available for participants at a number of hotels in central Amsterdam.

Certificates

An AIF certificate of attendance is awarded to all participants who successfully complete the program.

Program location

The programs are held in the center of Amsterdam, within an easy walk from Amsterdam Central Station, and within 30 minutes from Schiphol international airport.

Program fees

Program fees include tuition, all comprehensive program materials, books, and any software that is required for the program, as well as luncheons and daily refreshments. Accommodation is not included.

In-company programs

For information on how AIF can add value to your organization via a tailored in-company program, please contact AIF directly at: +31 20 520 0160.

Ready to learn more? Find your program and reserve your place at [AIF.nl](https://www.aif.nl)

About Amsterdam Institute of Finance

AIF is a global financial innovation and education institute headquartered in Amsterdam. Through our open enrollment programs in Amsterdam and our in-company programs throughout the world, we connect ambitious professionals with the best minds in finance and other related topics. Taking part in one of our programs is a direct investment in your personal future and the success of your organization.

This is what makes the AIF experience unique:

- We believe in responsible, sustainable and inclusive finance
- Our clients, rather than profits, come first
- AIF is an independent and not-for-profit foundation, which allows us to cherry-pick our faculty from the world's leading business schools, such as INSEAD, Oxford, Kellogg, Cambridge Judge and others
- AIF delivers top quality programs. Our alumni give our faculty an average rating of 4.6 out of 5.0
- Enrollment in one of our programs means you become part of the AIF network, connecting you to professionals from more than 1,200 organizations in over 110 countries

