

# TRAINING PROGRAMMES



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## Introduction

Operational Risk Management as a discipline is at a crossroad in its development. For the early adopters, it ceased to be a project and moved into a mainstream business activity. For the banks still implementing ORM, it is still a project that will make the transition to business as usual soon. In either case, the scope ORM must cover the entire institution, and requires considerable effort to ensure general commitment. A key element for this commitment is a good understanding at all levels of the bank regarding the practical requirements for good Operational Risk Management.

The courses we outline in this memo are an ORM briefing and an ORM address two groups of participants:

- **ORM Briefing.** Here the audience is predominantly senior management. The focus is on the broad activities involved and the associated benefits
  
- **ORM Implementation and Use.** The audience here are risk professionals: Here the focus is on all main aspects of implementing ORM

In their basic outlines, the two courses have been designed to be delivered in half a day and three days respectively. Although that is very short, we believe that the most relevant lessons learned can be addressed in that time span. Both courses can be tailored to the individual institution and, e.g., be combined with a short policy review or gap analysis.

In the remainder of this overview, however, we outline the characteristics of training courses as designed. Since we are strong believers in making the training as relevant as possible to the bank's internal practice, we are pleased to work with you to amend these programmes to suit your bank's needs.



## **COURSE A: ORM Briefing**

### **Training Objectives**

This course is intended to brief managers on why operational risk management needs to be put in place, and the main activities that will start to take place. It will provide a simple framework for ORM that will enable the bank's management to make better decisions regarding ORM initiatives.

### **Target audience**

- Directors
- Chief Finance Officers
- Chief Risk Officers
- Business Division Heads
- Heads of Operations, Finance and IT
- Heads of Internal Audit and Compliance

### **Course method**

The Briefing will be delivered in presentation style with intervals for round-table discussion of how specific topics can be undertaken in the client organisation. In this way, we can assist the client management to anticipate problems that might arise and decisions to take.

Duration – ½ day

### **Course Content**

The Briefing comprises the following topics:

- The value of systematic management of business risks
- The regulatory requirement – Basle 2 (Pillar 1 Approaches, Pillar 2 requirements)
- Basic Model of Risk Management (Risk Management Cycle)
- Principal activities for ORM initiatives:
  - ✓ Introducing formal risk assessment techniques
  - ✓ Setting up a risk register
  - ✓ Collecting Operational Risk related Loss (for selected risks)
  - ✓ Risk and Event Reporting
- Link with Credit and Market Risk Management
- Policy Issues (Risk Policy, Risk Appetite)
- Organisational requirements for Operational Risk Management
- Business Benefits

## Course B: ORM Implementation and Use

### Training Objectives

The course will provide an introduction to the key concepts of operational risk management, and provide tuition on the essential activities which are the starting points of practical operational risk management in a bank.

As well as providing the basic disciplines of Risk Management it will also coach the operational risk manager on how to implement them in practice in a banking organisation.

### Target audience

- Chief Risk Officers
- Chief Financial Officers (part time)
- Heads of Internal Audit (part time)
- Operational Risk Managers
- Business Continuity Managers
- Internal Control Managers and Compliance Officers
- Staff with roles and responsibilities in operational risk in risk management departments, businesses and central departments.

### Course method

The course will use a combination of prepared tuition, examples, and case studies. Most importantly it will offer participants opportunities to plan such work within small working groups, providing practice in the application of the techniques and tools and building on our experience in generating participation. Participants will be asked to prepare for the course by setting out the state of development of operational risk management in their banks, and the problems they face.

### Course Content

- Introduction to Risk and the place of Operational Risk Management
- Overview of Operational Risk Management and the Basle II requirements
- Pillar 1 and Pillar 2 for ORM
- Risk Identification
- Risk Monitoring
- Risk Reporting
- Capital Adequacy Modelling
- The Organisation of Operational Risk Management
- Developing Operational Risk Management in a Bank
- Introduction to Operational Risk Information System Decisions
- Special Risk Topics: Business Continuity Planning, Outsourcing

## Detailed Brief – 3 Days

Pre-work by participants:

- Complete a survey of progress in developing operational risk management in the bank from your point of view (The participants will be provided with a form showing activities and participants can mark it up. The material will be collected and summarised for feed back to the group)
- Set out the successes and difficulties in developing operational risk management in your bank, and why there have been successes or challenges.

### Day 1:

Introduction and course outline

The relevance of sound Operational Risk Management

What is the place of ORM in Risk and Loss? The Anatomy of Risk and how we can influence exposure.

Topics that will be addressed:

#### Regulator's point of view

- The Basle II requirements for ORM
- Pillar 1 – Capital Modelling and the Operational Risk Management Approaches
- Pillar 2 – Risk management in managing, decision-making and capital planning
- Simplified Risk Management Cycle (identify, control, monitor, report)

#### Risk Identification

- The purpose of identifying risks
- The ways of Risk identification
- Creating a Risk Register
- The role of Loss measurement and the relation to the bank's objectives
- The use of RSA
- Developing the Metrics/classification of impact for use in RSA
- Case Study and Break-out to work on identifying risks and constructing a RSA form

#### Monitoring – Event Recording

- The purpose event recording
- Key data required for event recording
- The usage of such recordings
- Examination of a pro-forma requirements
- Organisation of Event Recording in the bank

#### Evening Exercise on Case Study on Risk Identification and development of a Risk Self-Assessment

### Day 2:

Report back from Evening Group work

Risk Assessment

- Self Assessment and other Qualitative methods
- Introduction to Quantitative Methods
- Simple statistical analysis (mean, Variance, significance of extreme values)
- Special Risk Topic: Business Continuity Planning
- Range of types of BI
- Importance of Business Continuity Planning for Operational Risk
- Assessing BI risks and making Continuity Plans

Risk Reporting

- Purpose and Users of risk reporting
- Sources of information
- Development of Indicators
- Break-out to work on developing a reporting scheme based on the Case Study

ORM Project Planning

Presentation followed by Two Hour Course Work for the evening on planning an ORM development plan or presentation on Operational Risk Information Systems

**Day 3:**

Report back from Evening Group work

Linkage to Capital Modelling

- AMA
- Economic capital planning
- Scenario Analysis
- Interrelated risks and events

Organisation of Operational Risk Management

- Involvement of managers, departmental staff
- Roles and Responsibilities
- Oversight of Operational Risk Management

Special Risk Topic: Outsourcing

- Know the risks of an outsourced activity

Gaining Support and Cooperation

- Establishing the banks' aims in Operational Risk Management
- Senior level support
- Getting Departmental engagement

The position of the Operational Risk Manager

- Strategies for getting personal engagement, personal development