
Operational Risk

Overview

This course defines key concepts of Operational risk measurement and management in a simplified manner along with the various methods of measuring and modeling operational risk as well as the challenges faced in the process.

Learning Outcome Statements

- Learn methods of identifying, measuring & controlling Operational risk
- Comprehend concepts of statistics & their application in modeling operational risk
- Gain an overview of Basel II & Basel III recommendation with respect to operational risk
- Learn to manage and control Operational risk in a competitive & volatile market environment
- Learn about the quantify & control common pitfalls which create operational risk
- Understand the step by step process to comply with Basel II & Basel III requirements

Key Contents

- **Operational Risk Management**
 - Broad landscape of Operational risk
 - Basel and Operational risk
 - Management of Operational risk
 - Quantification of Operational risk
- **Basel Recommendation For Regulatory Treatment Of Operational Risk**
 - Complicating factors in Operational Risk Management
 - Top down vs. Bottom up approaches to measurement
 - Overview of Statistical and actuarial approaches
 - Basel continuum concept
 - Process of capital calculation
 - Overall calibration process
 - Basel Indicator Approach
 - Standardized Approach
 - Advanced Measurement Approach
 - Key features of Operational risk - Basel II/Basel III
- **Operational Risk Management**
 - Key players & their roles
 - Back office
 - Front office
 - Middle office

- IT staff
- Accounting, planning & control
- Senior management
- Board of directors
- Auditors
- Regulatory role & disclosure of OR framework to shareholders
- **Operational Risk Modelling & Associated Analytics**
 - Risk assessment & management process
 - Identifying Operational risk
 - Modeling Operational risk
 - Loss Data and related issues
 - Quantifying Operational risk
 - Mapping Operational risk
 - Role of statistics in Operational risk
 - Normal distribution
 - Poisson distribution
 - Other important probability distributions for OR Management
 - Quantification methodologies: Loss Distribution Approach (LDA)
 - Advance Measurement Approach (AMA)– Challenges & benefits
- **Modelling Techniques**
 - Casual modeling
 - Score card approach
 - Extreme Value theory (EVT)
 - Neural Networks
 - Other techniques
 - Certification of financial models
 - Model validation process
 - Audit process
 - Risk & control