

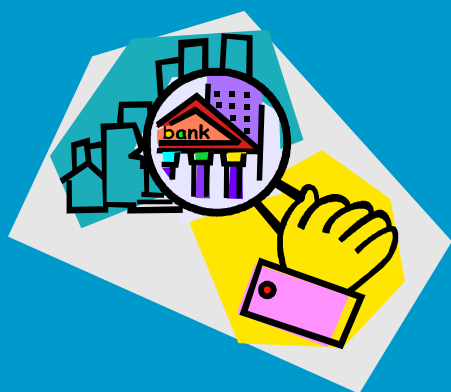
Basel II – Pillar Two – What Supervisors need to know about Operational Risk

A 2-day intensive course provides an ideal introduction for Bank Supervisors to the operational world of commercial banks - and to the operational risks

Why you should attend

Who Should Attend

- This course intended for **Bank Supervisors/Regulators** who require an introduction to **Operational Risks Management—its theory and practice**
- It is an ideal introduction for **other Central Bank staff** involved in oversight issues who require a strong **Operations Risk foundation**.



As part of Basel II's Pillar II, Bank Supervisors need to come to grips with what exactly operational risk is within the context of a financial institution. This intensive two day course is aimed at providing an ideal introduction for Bank Supervisors to the operational world of financial institutions - and so to the world of operational risks.

Basel II's Second Pillar deals with the Supervisory Review Process. This section provides risk management guidance with respect to banking risks relating to, among other things, the treatment of interest rate risk in the banking book, credit risk, credit concentration risk), enhanced cross-border communication and cooperation, securitization and operational risk.

The Basel Committee believes that similar strictness should be applied to the management of operational risk, "...as is done for the management of other significant banking risks". Furthermore, "The failure to properly manage operational risk can result in a misstatement of an institution's risk/return profile and expose the institution to significant losses" (paragraph 736, Part 3, Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework).

Banks are required to develop a framework for managing operational risk and evaluate the adequacy of their capital given this framework. Basel II requires that the framework should cover the bank's appetite and tolerance for operational risk, as specified through the policies for managing this risk, including the extent and manner in which operational risk is transferred outside the bank. Furthermore, this framework should also include policies outlining the bank's approach to identifying, assessing, monitoring and controlling/mitigating these risks.

However, Banking Supervisors unless they have been drawn directly from an operational banking background, do not always understand what operational risk is or even the bank processes which generate these.

What is the curriculum focus?

What the course covers

Bank Supervisors Role in Basel II Operational Risk—Pillar II Requirements

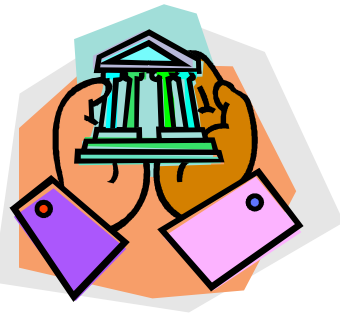
We detail how operations risk management relates to the Basel II Accord. This session is intended to provide a recap of what Basel II is all about and includes the following important elements such as;

- Basel's three pillars
- Basel II Operational Risk options
- Pillar II and the Regulator/Supervisor
- The four key principles of supervisory review.

What Every Supervisor Should Know -

Managing Operations Risk - Definitions

How the operations risk defined, the risk mitigation standards currently in use and current best practice.



Key elements in managing Operations Risk

Developing risk strategies, overseeing these by the banks board of directors, operational risk culture, internal control culture, internal reporting and contingency planning.

How Banks Develop an Appropriate Risk Management Environment

Key components include:

- **Policy & Structure**
The role of the bank board; Providing guidance to senior management; Developing risk management policies; Establishing an operational risk management structure; Establishing clear lines of management responsibility, accountability and reporting; Regular review and internal audit verification.
there is appropriate documentation

- **Implementation**

Transforming operational risk management policies into specific processes and procedures; Implementation of a risk management process within the banks business units; Ensuring that relating to controls and transaction-handling practices.

How Banks identify and assess operational risk

Topics to be covered include the following critical issues.

- Identifying most potentially adverse risks, and assessing banks vulnerability to these risks through an “Environmental Survey” and a “Technology Inventory” leading to the completion of a Risk Assessment - Identifying appropriate indicators that provide early warning of an increased risk of future losses.
- Collection of a bank's historical loss experience data including procedures for monitoring operational loss events.
- Ensuring that all new products, activities, processes and systems are subject to adequate assessment procedures regarding operational risk before they are introduced/ implemented.



What is the curriculum focus?

Controlling and/or mitigating material operational risks

Banks internal practices to control operational risk such as setting & monitoring risk limits; maintaining safeguards for access to, and use of, bank assets and records; ensuring that staff have appropriate expertise and training; identifying business lines or products where returns appear to be out of line with reasonable expectations; regular verification and reconciliation of transactions and accounts.

Contingency and business continuity plans

Expecting the unexpected. Banks need to have full-scale contingency and business continuity plans should be in place, tested and ready to use should the need arise. Areas covered include establishing disaster recovery and business continuity plans, identifying critical business processes (including those where there is dependence on external vendors or other third parties), restoring electronic and/or physical records, and the regular testing of these plans.

Citadel Advantage offers this intensive 2-day course taught by experienced practitioners with extensive Operations Risk experience. As a basic foundation, the course commences by giving a basic introduction to Operations Risk compliance requirements. This is followed by more in-depth sessions moving beyond Operations Risk compliance and into the actual implementation process of a sound Operations Risk Management Program. The benefits derived from the implementation of a sound program are covered in detail.

For further details please contact

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Case Studies

The course contains a number of case studies including the recent SocGen rogue trader case plus interactive participant sessions.