

# **Operational Risk Management**

## ***Comments from past participants***

*"I found the Operational Risk Management workshop motivating, appealing, and nicely organized. It was very interesting for anyone having concern in knowing or working in sphere of operational risk. Dr. Lim shared lots of knowledge which we can use and profit from instantly. An incredible resource this was for sure!"*

– Mr. Aakash Ramchand Dil, Crescent Commercial Bank Limited, Pakistan.  
[Class of June 2007]

*"The seminar on "Operational Risk Management" provided me an understanding about risk in all the three domain areas of risk: credit, market and operational risk. In particular, the operational risk management seminar covered two topics: Operational risk VaR and process mapping through operational risk classification. The later topic provides valuable knowledge about process mapping in order to develop operational risk management."*

– Mr. Imran Ahmad Faruqi, Saudi Pak Commercial Bank Ltd, Pakistan.  
[Class of June 2007]

*"This seminar has successfully changed the paradigm of risk, and the manner of delivery by the facilitator Dr. Jeffrey Lim, inspired us on the practicality of applying risks in our respective areas. This is a seminar for those who are serious about seeing 'risk management in action'."*

– Ms. Ng Lay Choo, Great Eastern Life, Indonesia.  
[Class of August 2007]

*"The knowledge gained from this Seminar will help me to crystallize my vision to achieve optimum results in my role."*

– Mr. Mohammed A Hameed, Central Bank of Bahrain, Bahrain.  
[Class of August 2007]

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*"This seminar is a good kick-start to an appreciation and understanding of Operational Risk Management. Most useful is the application of the concepts to actual events, and the foundational introduction of VaR, C-VaR and modelling OpRisk. These are all made interesting by the well qualified and experienced facilitator. That, in turn, stimulates the rapport amongst the participants."*

– Ms. Anita L. S. Ng, Bayerische Hypo-und Vereinsbank AG, Singapore.  
[Class of May 2008]

*"A very compelling seminar that re-aligns your perception and approach on risk management, presented in an effectively non-academic manner by Jeff."*

*The seminar is full of convenient insights and practical tools that can help one provide more valuable contributions to one's organization. The facilitator awakens the sensibility and common sense in you, which truly are the indispensable factors in the management of every risk."*

– Ms. Laarni Agcaoili, Rabobank International, Singapore.  
[Class of May 2008]

*"The Operational Risk Management seminar is very practical, useful and can be applied in all businesses. After joining this seminar I have some ideas as to how to mitigate risk in our work processes."*

– Ms. Rita Tjahjadi, PT. BCA Finance, Indonesia.  
[Class of May 2008]

*"I gained lots of knowledge from this seminar, as the facilitator could explain Operational Risk Management in wonderful ways. Jeff gave examples and delivered them in detailed discussions. I learnt practical lessons relating to my work situations that I can easily apply into my upcoming daily work (applicable)."*

– Mr. Parmanto Adhi Tjahjono, PT. BCA Finance, Indonesia.  
[Class of May 2008]

*"I saw how professional PI ETA Consulting Company is, and how very kind the facilitator is. On top of the topic covered, I personally gained a lot during the discussions with him."*

*I hope I can join more PI ETA seminars in the future!"*

– Mr. Ali Marzooq, Tamkeen (Labour Fund), Bahrain.  
[Class of November 2008]

*"This is the best seminar I have ever attended. Very simple to understand, it makes very good sense and is applicable. Well done!"*

– Mr. Chin Kong Meng, MSIG Insurance (Malaysia) Bhd, Malaysia.  
[Class of April 2009]

*"The training was a very unique learning experience. Jeff used very practical examples/experiences to explain very complex issues. Will definitely consider attending more of the related seminars being offered."*

– Mrs. Marilyn Cipcon-Aninipot, Ecumenical Church Foundation Incorporated, Philippines.  
[Class of September 2009]

*"I learnt so much about operational risk. I now understand the big picture to manage risk and also the class was very interactive."*

– Mr. Azwar Ritonga, PT Telekomunikasi Indonesia Tbk, Indonesia.  
[Class of September 2009]

*"This is an awesome seminar because it broadened my mind about Operational Risk Management!"*

– Ms. Yulia Santi Erfianty, Bank Indonesia, Indonesia.  
[Class of September 2009]

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*"It was great listening to Jeff. I just hope that what was discussed can be practised with less hindrance."*

– Ms. Chiew Jia Gi Jacqie, The Standard Chartered Private Bank, Singapore.  
[Class of August 2010]

*"Jeff is knowledgeable, both in the technical/mathematical aspects and the practical, human aspects too."*

– Mr. Ng Yong Kai, The Standard Chartered Private Bank, Singapore.  
[Class of August 2010]

*"This seminar was practical, informative that it broadened my mindset."*

– Ms. Irene Wong, PT Bank Mandiri (Persero) Tbk, Singapore.  
[Class of August 2010]

*"Thank you for the hospitality and friendliness, so that we enjoyed attending the Operational Risk Management seminar. My original intent was to get information on how to identify risks in running the business, and by following this seminar, I believe everyone will feel satisfied and will have gained knowledge to identify the causes of risks that can arise."*

– Mr. Yedi K. Tresna, PT. Nusantara Regas, Indonesia.  
[Class of September 2011]

*"The seminar was good and it helps us to validate what we are doing in our company compared with the knowledge which was shared by the facilitator, so we can take further action to be implemented in our company."*

– Mrs. Chandra Wulansari, PT. Bank Danamon Indonesia, Indonesia.  
[Class of November 2011]

*"Basically, the seminar is very good because the material/knowledge enriches our knowledge about risk management and can become a reference for us in renewing the implementation of ORMS (operation risk management system) in our bank."*

– Ms. Adelaine Esterlieta, PT. Bank Danamon Indonesia, Indonesia.  
[Class of November 2011]

*"The seminar was very well conducted. It was presented with simplicity and made understanding of Operational Risk management easier and how it can be related and be applied to day to day processes."*

– Mdm. Jasbir Kaur, Raiffeisen Bank International AG, Singapore.  
[Class of July 2013]

*"The facilitator uses a lot of real life examples to simplify and illustrate risk management which is thought provoking and very helpful in understanding the subject matter."*

– Ms. Sion Hui Chin, Central Provident Fund Board, Singapore.  
[Class of July 2014]

*"Very enlightening course."*

– Mdm. Ho Li Hua Jasmine, Network for Electronic Transfers (Singapore) Pte Ltd, Singapore.  
[Class of July 2014]

*"Very enlightening and clear in a simple and practical way!"*

– Ms. Lee Shu Ying, Sumitomo Mitsui Trust Bank, Singapore.  
[Class of July 2014]

*"Very interesting Course! Every situation described was relevant."*

– Mr. Ng Jun Jie, HSBC Bank (Singapore) Limited, Singapore.  
[Class of November 2017]

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*“Facilitator is very knowledgeable and is able to share experiences to help the class understand better.”*

– Mr. Dave Vijay, HSBC Bank (Singapore) Limited, Singapore.  
[Class of November 2017]

*“Dr Jeffrey is very systematic in his presentation. He makes it easy to understand what Operational Risk Management is all about and how practical and important it is for an organisation to place emphasis on.”*

– Mr. Andrew Chew Keng Soon, Bangkok Bank Public Company Limited, Singapore.  
[Class of December 2017]

*“Jeffrey is very good and knowledgeable! He shares all the skills with me and I really enjoyed the program.”*

– Ms. Ho Swee Lan Kristine, Central Services, Singapore.  
[Class of June 2019]

## ***Highlights***

- Risk Management is everyone’s business, not just the CEO’s, CFO’s or CRO’s
- The biggest Risk in Risk Management is NOT seeing the Risk!
- In living life, the secret of the How's is actually in the Why's!
- Discussion on the real challenges in implementing enterprise-wide Operational Risk Management and the methods to overcome some of these challenges
- Discussion on Key Operational Risks plaguing Organizations in recent times like ***Cyber Security Risks, Money Laundering and Terrorism Financing Risks, and Corruption and Fraud Risks*** and how to manage some of these risks.
- Gain an insight to various Good Operational Risk Management Practices
- “Dirty your Hands” going through a Monte Carlo event simulation process
- Be introduced to a methodical way of managing Operational Risk from formally defining Operations Processes, to identifying Operational Risks and mitigating these risks, to capturing risk event losses and quantifying Operational Risk losses
- Be introduced to Frequency Distributions, Severity Distributions and how one can convolute them to obtain joint Frequency-Severity Distributions, and its applications to the quantitative side of operational risk measurement – Value-at-Risk (**VaR**) and Conditional Value-at-Risk (**C-VaR**)
- Be introduced to The Basel Capital Accord

Seminar Facilitator

**Dr. Jeffrey C. K. Lim, Ph.D., C.Sci., C.Math., FIMA, FCPS, FRM, PRM, B.Fel.**

Seminar Duration

**2 Days, 9:00am to 5:00pm**

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## Seminar Background

Risk Management should be everybody's business, not just the CEO's the CFO's or the CRO's! Practicing Operational Risk Management is an art-form and the science that forms the platform to support one practicing their art-form is still an evolving science.

This seminar introduces participants to the true purpose of risk management, and ensures that anyone wishing to practice good risk management first embraces the true meaning and purpose of risk management in the first instance before embarking on their quest to practicing good risk management in order to be successful. The seminar also introduces a methodical way of formally defining all the various operational risk processes before proceeding to identify risk areas.

Our discussions will include key Operations Risks that have been plaguing organizations in recent times like *Cyber Security Risks, Money Laundering and Terrorism Financing Risks*, and *Corruption and Fraud Risks* and how to manage some of these risks.

This is then followed by the exploration of risk mitigation techniques as a crucial step prior to introducing loss event capture and quantification of risks. Participants will also be introduced to the quantitative side of Operational Risk Management, and the computation of Operational Value-at-Risk (VaR) and Operational Conditional Value-at-Risk (C-VaR).

## Seminar Content

### ➤ Introduction

- What are Risks?
- Examples of Risks
- Types of Risks
  - Market Risk
  - Credit Risk
  - Operational Risk
- True Purpose of Firm-wide Risk Management
  - Not Just For Regulatory Purposes
  - Not Just to Meet Accounting Standards
  - Not Just for Public Relations Purposes
  - Not Just Because It Is the "in" Thing
  - True Purpose

### ➤ Operational Risk

- Definition of Operational Risk
- Examples of Operational Risk
  - Barings Futures Singapore Fiasco
- Operational Risk Classification Scheme
- Some Operational Risk Mitigating Strategies
  - Training
  - Systems
  - Insurance
  - Outsourcing
- Sound Practices for the Management and Supervision of Operational Risk

- Developing an Appropriate Risk Management Environment
- Risk Management: Identification, Mitigation, Measurement, Monitoring, and Control
  
- **Practical Operational Risk Management**
  - Real Challenges in Implementing Operational Risk Management and Overcoming the Challenges
  - Combined Top-Down and Bottoms-Up Approach
  - Flow-Charting Entire Organizational Structure
  - Flow-Charting Individual Business Units and Linking These Business Units to the Organizational Structure
  - Flow-Charting All Business Processes Within Each of the Business Units
  - Identification of Risk Champions Within Each Business Unit
  - Defining the Role of Risk Champions
  - Operational Risk Management Process
    - Identification of Risks Within Business Processes
    - Mitigation of Risks Within Business Processes
    - Control of Risks
    - Capturing Risk Occurrences Within Business Processes
    - Measurement and Reporting of Risks
    - Monitoring of Risks
    - Periodic Review
  
- **Using the PERMIT®<sup>1</sup> Risk Scorecard**
  - Enterprise Operational Risk Management
  - Formalization of Business Processes
  - Surfacing Risk Hot-Spots
  - Risk Reporting at the Enterprise Level
  - Analysis of Risk Behaviors
  
- **Operational Risk Quantification and Measurement**
  - Frequency Distribution
  - Severity Distribution
  - Convolution Methods to Combine the Above
  - Computing Operational Value-at-Risk (VaR)
  
- **Basel Capital Accord**
  - Managing Operational Risk
  - Calculating Regulatory Capital
    - Basic Indicator Approach
    - Standardized Approach
    - Advanced Measure Approach

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<sup>1</sup> PERMIT® which is an acronym for PI ETA Risk Management Information Technology, is a registered trademark of PI ETA Consulting Company.

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## Benefits of Attendance

Participants will acquire a good basic foundational grounding in the areas of operational risk exposures that exists within their organizations and the techniques available to identify, mitigate, monitor, measure and manage such risks. This seminar will allow participants to take operational risk management to a truly effective level within their organizations.

## Who should attend?

Senior Management, Business Line Managers and Personnel, Risk Management Personnel, Finance Personnel, Operations and Settlements Personnel, Accountants, Internal and External Auditors.

## Seminar Facilitator

**Dr. Jeffrey C. K. Lim**, certified Financial Risk Manager (FRM<sup>2</sup>) and certified Professional Risk Manager (PRM<sup>3</sup>), is currently the Managing Director of PI ETA Consulting Company, a Treasury & Financial Risk Management Consulting Company.

A Chartered Scientist (C.Sci.<sup>4</sup>), a Chartered Mathematician (C.Math.<sup>5</sup>) and an elected Fellow of the Institute of Mathematics and Its Applications (IMA), U.K. (FIMA), Jeff earned his Ph.D. in Stochastic Financial Modeling from the University of Cambridge in England. Jeff's research interest at Cambridge was in the area of Arbitrage Opportunities occurring in the Mispricing of Financial Options, and his original research culminated in the publication of his doctoral dissertation entitled: "Multi-period Mean-Variance Option Portfolio Strategies".

Jeff was an authorized Securities & Financial Derivatives Representative in London, having been certified by The Securities and Futures Authority (SFA) in England, where he started his career as a Derivatives Analyst with Nomura International in London, England. He subsequently joined NatWest Markets from London, England to become its Head of Currency Structured Products for South and South-East Asia. Jeff then moved to American Express Bank to become its Director of Structured Products, prior to assuming his current position.

Jeff has also contributed to the development and enhancement of talent and infrastructure for Singapore's financial center as a guest Professor at the National University of Singapore's Center for Financial Engineering, where he was responsible for the curriculum of its Master of Science degree program's core modules in Financial Derivatives and Treasury Management. In addition, Jeff has also been invited by the Nanyang Technological University and the Singapore Management University to share his expertise in a similar capacity. In recognition of Jeff's expertise and experience in the field

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<sup>2</sup> The *Financial Risk Manager* (FRM) designation is awarded by The Global Association of Risk Professionals (GARP), U.S.A.

<sup>3</sup> The *Professional Risk Manager* (PRM) designation is awarded by The Professional Risk Managers International Association (PRMIA), U.S.A.

<sup>4</sup> The *Chartered Scientist* (C.Sci.) designation is awarded by The Science Council, U.K.

<sup>5</sup> The *Chartered Mathematician* (C.Math.) designation is awarded by The Institute of Mathematics and Its Applications (IMA), U.K.

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of Treasury and Financial Risk Management, the University of New South Wales Asia appointed Jeff to be its first Adjunct Professor with the university's Division of Business and Humanities.

At PI ETA Consulting Company, Jeff was Principal Inventor in two of the Patents that the company currently holds – one in Treasury & Financial Risk Management Systems, and the other in Knowledge Management Systems.

Professionally, Jeff is a Fellow of both The Global Association of Risk Professionals (GARP), U.S.A. and The Professional Risk Managers International Association (PRMIA), U.S.A. He is also an elected Fellow of the Cambridge Philosophical Society, U.K. (FCPS) and a Life-time Member of The Cambridge Society, U.K. Jeff is also honoured to be a Fellow of The Cambridge Commonwealth Society, U.K., having been previously awarded the Cambridge Commonwealth Trust and the Shell Group of Companies Doctoral Research Scholarship.

As a special recognition of Jeff's professional achievements, on 9 April 1999, Barons Who's Who conferred Jeff with the Barons Fellowship status, making him a Barons Fellow (B.Fel.). This award by their Charter, is limited to only the top 10% of those selected for publication in Barons Who's Who International.

**For more information, please contact PI ETA Engagement Resource (PEER) Group at**  
Tel: +65 634 100 10 | Fax: +65 634 100 20 | Email: [marketing@pi-eta.com](mailto:marketing@pi-eta.com) | Website: [www.pi-eta.com](http://www.pi-eta.com)