

2 DAYS  
TRAINING

# ADVANCED OPERATIONS RISK

25-26 JULY 2017

PULLMAN THAMRIN HOTEL, JAKARTA

In-Depth Learning of Managing  
The Operational Risk To Keep Losses Within Your Risk Appetite

## Key objectives and learning outcomes

The aim of the course is to provide;

- A clear understanding of Operations Risk in all its facets,
- Techniques for managing/mitigating Operational Risk,
- Using Key Risk Indicators to identify potential risk events and to formulate an appropriate Operations Risk Management response,
- A clear understanding of Business Processes and how these may be used in conjunction with Key Risk Indicators to highlight potential problems.

## Which organizations should attend?

- Commercial Banks
- Central Banks
- Investment Banks
- Asset management firms' representatives
- Pension funds
- Hedge funds
- Leasing companies
- Insurance companies
- Fund managers
- Other financial institutions

## Who should attend the Course?

- Operations Risk Managers
- Risk Officers
- External/Internal Auditors
- Operations Managers
- Staff with roles and responsibilities in operational risk in risk management departments, businesses and central departments.

ORGANIZED BY



PT. Adhouse Indonesia Cipta

CONTACT INFORMATION

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(Mr. Waris)

# ADVANCED OPERATIONS RISK

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25-26 JULY 2017, JAKARTA

Operations Risk Management has become a major component in the business practice of all enterprise including banks. Operations Risk Management has been spurred on by the Basel Accords and recent events such as the upswing in terrorist activities, extreme weather conditions, natural disasters and the 2008 financial crisis.

An Operational Risk is a risk arising from execution of a company's business functions. It is a very broad concept which focuses on the risks arising from the people, systems and processes through which a company or bank operates. It also includes other categories of risk such as fraud risks, legal risks, physical or environmental risks.

A popular and widely used definition of operational risk is the one contained in the Basel Accord regulations. This definition states that operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The approach to managing operational risk differs from that applied to other types of risk, because Operations Risk, unlike other types of risk is not used to generate profits. As an example, credit risk is used by banks to create profit, market risk is used by traders and fund managers, and insurance risk is used by insurers, all with the profit motive as the end objective.

However, whether you are a bank or a trader or a fund manager or an insurer or just any other firm, you still have to manage operational risk to keep losses within your risk appetite - the amount of risk that the organization is prepared to accept in pursuit of its objectives. What this means in practical terms is that banks and firms accept that their people, processes and systems are imperfect, and that losses will arise from errors and ineffective operations.

The size of the loss they are prepared to accept, because the cost of correcting the errors or improving the systems is disproportionate to the benefit they will receive, determines their appetite for operational risk. To keep the right balance operational risk need to be managed.

Managing risk exposures is second nature for banks - after all credit risk and liquidity risk is part and parcel of banking.

Operational risk management as a discipline is relatively new. The rapid change in focus to operational risk management has been driven by a number of factors, led in the first instance by the compliance requirements of bank regulators across the globe.

Other critical factors that lie behind this changing focus include;

- the increasing complexity of banking & financial products,
- major advances in technology,
- rapid expansion of bank operations, and
- the increasing vulnerability of financial institutions to operational failures & losses.

The increased attention to Operational Risk has also been driven by a number of major events in recent years attributed directly to operational failures.

## Course Objectives

This advanced course is intended to move participants beyond the basic theory of operations risk and its management to a "hands-on" practical understanding of operations risk management and mitigation through the use of Key Risk Indicators (KRI's) linked to a clear understanding of how Operational and Business Processes are mapped and the operational risks are identified.

Operational risks covered in this course follow the Basel Accord event type categories of;

- **Internal Fraud** - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery;
- **External Fraud** - theft of information, hacking damage, third-party theft and forgery;
- **Employment Practices and Workplace Safety** - discrimination, workers compensation, employee health and safety;
- **Clients, Products, & Business Practice** - market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning;
- **Damage to Physical Assets** - natural disasters, terrorism, vandalism;
- **Business Disruption & Systems Failures** - utility disruptions, software failures, hardware failures;
- **Execution, Delivery & Process Management** - data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets.

## Teaching Method

This is a highly interactive course comprised of presentations, case studies, multidirectional discussions and comprehensive exercises.

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 generating active participation.

# COURSE CONTENT

2 DAYS  
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THE COURSE COMPRISES THE FOLLOWING SUB MODULES.

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## DAY 1 (Tuesday, 25 July 2017)

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### Operations Risk & Its Management

- What is Risk?
- Drivers of Risk Management
- Business Drivers
- Regulatory Drivers

### What are the Risk Types?

- Categories of Risk
- What is Covered by the Basel Accords
- Operational Risk Categorization
- The Financial Risk Management Environment
- The Operations Risk Management Environment
- Technical Implications

### The Basel Accords - A Review

- Basel I, II & III – What they are all about
- Basel's Three Pillars
- Key Elements of Basel III
- Basel Accord vs. Basel III
- Basel III: Three Pillars Still Standing
- Basel is not only about Capital Adequacy
- Operational Risk – The Basel Options

### Operations Risk & Basel

- Basel's Definition of Operational Risk
- Standards for Managing Operational Risk
- Basic Indicator Approach
- The Standardized Approach
- Mapping Business Lines
- Advanced Measurement Approaches
- Loss Event Type Classification
- Criteria for the Advanced Measurement Approach

### Managing Operations Risk

- Enterprise Risk Management
- Implementation Issues
- Governance Issues
- Risk Objectives Setting
- A Risk Culture

### Managing Operations Risk - The Key Elements

- Risk Analysis
- Determining the Risk Appetite
- Identifying Risk Responses
- Impact vs. Probability
- Risk Impact vs. Frequency
- Measurement Methods
- COSO — An Integrated Risk Management Framework
- Quantitative v. Qualitative
- The Business Cycle and Operational Risk
- Problems in Identifying Operational Risks

### Implementing Risk Management Controls

- Mapping Risks to Controls
- Understanding your Risks, Goals and Priorities
- Prioritizing Risk Based on Probability & Impact
- Establish Responsibilities for Risk Management
- Who is Responsible for Executing Risk Management & Governance?
- Mapping Risk Strategies to Categories of Control
- Designing and Documenting Specific Controls
- Implementing the Controls

### Processes & Process Mapping

- Why Business Processes are so Important for Operational Risk Management
- Understanding Business Processes
- Business Process Improvement
- The Business Process Model
- Work Simplification
- Business Process Mapping – The Theory
- The Multi-Flow Process Chart

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## DAY 2 (Wednesday, 26 July 2017)

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### What are the Operational Risks?

- The Basel Accord event type categories and what they Cover

### Compliance Function and the Law

- Conventions
- Basel Committee on Banking Supervision
- International Regulatory Framework (FATF)
- Sanctions Policies
- Case Study - US Sanctions Policies
- Anti-Money Laundering

### Operations Risk Management - Managing Specific Risks

- Key Risk Indicators
- Using Key Risk Indicators in relation to the Basel Operational Risk Event Types
- Risk Identification Tools
- Using the Key Risk Indicator - We work through a range of examples for each Basel OR Event Type in relation to defining the;
  - Threat Event
  - Vulnerability
  - Security Controls to Mitigate.
- We work through the Basel KRI Tool in terms of;
  - Other KRI's
  - KRI by Threat Events
  - ISO Standards

### The Black Swan

- The challenges of outlier events for contingency planners

# COURSE CONTENT

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- o A black swan is a highly improbable event with three principal characteristics: unpredictability; massive impact; and, after the fact, we create an explanation that makes it appear less random, and more predictable, than it was.
- o We examine the nature of a Black Swan event
- o Can two recent outlier events, the recent eruption of Iceland's Eyjafjallajökull volcano and the Deepwater Horizon catastrophe be seen as black swan events?
- o Challenges for Planners, Strategists and CEOs.
- o How can you mitigate a Black Swan event?
- o Blind Spots in our planning.

#### Case Study – Lloyds Bank and Payment ‘Stripping’

- In January 2009 the British Bank Lloyds TSB entered into a deferred prosecution agreement with the US Department of Justice and the New York County District Attorney's office concerning the bank's admitted non-compliance with the OFAC sanctions regime pertaining to Iran and Sudan by falsifying outgoing United States Dollar ("USD") payment messages that involved countries, banks, or persons listed as sanctioned parties by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC").
- The US Government Illegally asserted jurisdiction over a non U.S. person for the first time and levied the largest ever penalty for violations of U.S. sanctions
- What Lloyds Bank did is the subject of this fascinating case study.

#### Case Study - Other Recent Examples of Payment “Stripping”

#### Closing CASE STUDY- Kweku Adoboli; from rising star to rogue trader

- This case study on a recent event provides an in-depth examination of operational risk management failures resulted in substantial losses to UBS. We look at what went wrong and why and what lessons can be learned from this series of events.
- Why and how were the lessons of the 2007 SocGen event ignored?
- Included in this case study we have a special section on rogue traders generally in which we deal with issues such as;
  - o The psychology of the rogue trader
  - o Types of traders
  - o The FSA investigation and their findings
  - o Ranking Adoboli in the rogue traders league
- This is a Case Study about failures. It is a chilling story of how a single person, under the most common work circumstances, can lose \$750 million. And he does so, by bullying his subordinates, intimidating his colleagues, threatening his supervisors, bribing his counter-parties, forging documents, falsifying the data, and betting more and more after having lost the most. A perfect example of "escalation of commitment". A fantastic case of complacency over compliance. The core of the case is a clear reflection of:

- o Misalignment between the business strategy and operations strategy.
- o Broken procedures, inadequate policies, conflict of interest, sub-optimal decisions making, etc.

## TRAINERS PROFILE

### Richard Barr

Richard holds a B.S. in International Business Administration from San Jose State University in California.

His professional experience spans over 25 years. The first 5 years were spent with Wells Fargo Bank. Another 5 were spent honing his global banking skills, when Richard was intimately involved with International Trade Finance, Real Time Gross Settlement and Cross Border Banking.

Richard then repositioned into the private and high-tech sectors providing high-level consulting services, business analysis, project management and training to a wide range of banking clientele across the globe.

More recently, Richard was an external consultant to the Bank of Israel in the reform of the Israeli payment systems which included two projects; the introduction of that country's ZAHAV Real Time Gross Settlement payment system and the inclusion of the Israeli Shekel in the international Continuous Linked Settlement (CLS) system.

He has spent extensive time servicing a diversity of “financial institutional” clients, in China, Singapore, Hong Kong, Philippines, Korea, Malawi, Ghana, Nigeria, Kenya, South Africa, Poland, Sweden, Ireland, Netherlands, Greece, United Kingdom, Norway, Bermuda and across North America. Clients that Richard has trained & consulted to include with such notable firms as AIB Bank, Eurobank, ABSA Bank, CitiBank, Swedbank, IBM, Montran and Fundtech, as well as many others.

Richard has also filled the role of advisor to central banks on payment systems and technical payments issues. Furthermore, key staff members from the Bank of England, South African Reserve Bank, Central Bank of Ireland, Bank Indonesia, European Central Bank, Norgesbank, Central Bank of Kenya, Central Bank of Tanzania and Bank of Portugal have attended training sessions presented by Richard.

# ADVANCED OPERATIONS RISK

## TRAINING REGISTRATION FORM

(please print or type):

Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ ZIP: \_\_\_\_\_ Country: \_\_\_\_\_

Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ Mobile: \_\_\_\_\_

Email: \_\_\_\_\_ Line of Business: \_\_\_\_\_

(PLEASE NOTE: If invoice address is different from above, please provide invoice address separately.)

### PARTICIPANT FEE

### PARTICIPANT(S)

**TRAINING (25-26 July 2017)**  
\_\_\_\_\_ person(s) x **IDR 15.525.000**  
Price exclude PPH 23 (withholding tax)

IDR	<input type="text"/>
	<input type="text"/>
VAT 10%	<input type="text"/>
<b>TOTAL</b>	<input type="text"/>

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
5. \_\_\_\_\_  
6. \_\_\_\_\_

Training Fee Includes:  
Training Kits, Certificate of Attendance, Lunch & Coffee Break

### PAYMENT SCHEDULE & PROCEDURE

By bank transfer to: PT. ADHOUSE INDONESIA CIPTA (Bank MANDIRI, Cabang Jakarta Design Center)

IDR account: **1210006152262**

Authorized Signature

The above requested registration will be confirmed upon the organizer receiving the payment deposit of 100% due upon signing this contract and receiving initial invoice. [No Training Participant shall be allowed to participate until payment in full, have been received by the Organizer]. We hereby confirm our participation and we confirm our acceptance of the Rules & Regulations printed overleaf which form part of this contract. The execution of this contract and its receipt by the Organizer is deemed conclusive evidence of the Participant's agreement to pay the full fees due.

THE CONTRACT IS NON-CANCELABLE. Participant further acknowledges that the Organizer having incurred expenses as a result of the contract is not require to refund any of the fees and that the Organizer is also entitled to any unpaid amounts that may be owing by the Participant to the Organizer. I AGREE TO THE BOOKING CONDITIONS ON THE RULES AND REGULATIONS AND HEREBY CONFIRM THAT I AM AUTHORIZED TO SIGN THIS CONTRACT.

Date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

### PLEASE FILL THIS DATA FOR TAXATION PURPOSE

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

NPWP (Indonesia tax ID\*): \_\_\_\_\_

**As participant, we hereby agree to obey the following rules:**

- Application and Contract Form should be returned to [info@adhouse-asia.com](mailto:info@adhouse-asia.com) within 3 (three) working days.
- Any type of signed form sent via email or fax has the same legal condition with the original document.
- All received payment is non-refundable (including the 10% VAT).
- In case of force majeure, which includes natural disaster, flood, earthquakes, hurricanes, fires, epidemics, rebellion, wars, riots, civil unrest, explosions, acts of terrorism, changes in laws and regulations and / or economic policy / monetary / unstable political situation that directly affect the execution of this agreement, any subsequent delay or failure of such shall not be regarded as the fault of the organizer, and thereby, the organizer shall be released from any liability due to the impending results where the obligations pertaining the event cannot be duly met.



#### TRAINING SECRETARIAT

PT. ADHOUSE INDONESIA CIPTA  
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Telp:

**+62 812-1927-9696**

[info@adhouse-asia.com](mailto:info@adhouse-asia.com)

# TRAINING RULES AND REGULATIONS

1. Participants shall be bound by the conditions, rules and regulations set forth in this agreement and any changes must be made in writing and signed by an authorized official of PT. ADHOUSE INDONESIA CIPTA (hereinafter referred to as THE ORGANIZER) who shall have full power to interpret and to make or amend these rules, provided that such amendments and additions do not operate to diminish the rights reserved for the Participants under this Registration Form, and shall not operate to increase liabilities of THE ORGANIZER, its Sponsors, Agents or Employees.
2. No Participant shall be permitted to attend unless he has paid prior to the Training all of the fees agreed to on the reverse side.
3. THE ORGANIZER, its Sponsors, Agents or Employees will not be obligated to put up any advertisement when the advertising materials submitted by the Advertiser or Participant are received after the deadline. While every care and attention is exercised, THE ORGANIZER, its Sponsors, Agents or Employees and the publisher of the Catalogue will not be responsible for any omission of an advertisement, or for any errors or omissions on any advertising copy submitted by the Advertiser or Participant. In the unlikely event of an omission of an advertisement, the liability of THE ORGANIZER is limited to the refund of the cost of the advertising space only.
4. The execution of the Training Registration Form and its receipt by THE ORGANIZER is deemed conclusive evidence of the Participant's agreement to pay the full fees due. The Registration Form is non-cancelable, and the Participant further acknowledges that THE ORGANIZER, having incurred expenses as a result of the contract, is not required to refund any of the fees agreed to on the reverse side, and that THE ORGANIZER is also entitled to any unpaid amounts that may be owed by the Participant to THE ORGANIZER.
5. THE ORGANIZER, its Sponsors, Agents or Employees shall not be liable for any loss, damage or delay resulting from acts of war, civil unrest, strikes or lock-outs, change in regulation, military activity or any other circumstances which shall make it impossible or inadvisable for THE ORGANIZER to hold the Training at the time and place provided, and THE ORGANIZER reserves the right to reschedule the Training at another date and/or at another site. Furthermore, THE ORGANIZER will not be responsible for, and will be held harmless from the consequences of any conflicts or misinterpretations, which may arise with the host country, its agents or other bodies regarding any and all aspects of the Training, which may affect the Participants. The Participant acknowledges that THE ORGANIZER will have sustained damages and losses as a result of the foregoing as well, and shall and does hereby waive any claims for damages or compensation. The sums paid to THE ORGANIZER as fees or otherwise in connection with the Training shall remain the property of THE ORGANIZER. The Participant is responsible to obtain adequate insurance to cover risk of this nature.
6. THE ORGANIZER is not responsible to assist the Participant in obtaining passport and visa for entrance into the country where the Training is to be held. The fact that the Participant is unsuccessful in obtaining these documents from the relevant authorities will not constitute a basis for cancellation of this contract and it is clearly understood that no refunds whatsoever will be made. The Participant, however, may assign this contract to another party or company who meets the entry and government formalities necessary for entry into the country where the Training is to be held. Such substitution shall be the sole responsibility of the contracting Participant, and shall be notified in writing to THE ORGANIZER as early as possible before the start of the Training.
7. The Participant expressly acknowledges that no representations-whether oral or in writing-expressed or implied-have been made concerning the amount of business to be gained from the Training, its success, or that THE ORGANIZER, or any of its subsidiaries or affiliates, employees or other entities allied with it has made any guarantees or assurances concerning the Training. The Participant further acknowledges that this document constitutes the entire agreement and the binding rules and regulations existing between the parties, and that he has been given no oral change or modification. No one is authorized to make any oral changes in this agreement..
8. The agreement shall be governed by and construed according to Indonesian Law. Any dispute between the parties under this Agreement is hereby submitted to the jurisdiction of the Court of Central Jakarta.
9. The Participant agrees to the use of the Participant's company name, company representative names, and company logo by THE ORGANIZER in promotional materials produced to market this event.

**SECURE YOUR PARTICIPATION NOW!**