

**NANYANG TECHNOLOGICAL UNIVERSITY
NANYANG BUSINESS SCHOOL**

**BR3208
OPERATIONAL RISK MANAGEMENT**

A) Course Aims/Description

This course is specially designed for the students who are interested in operational risk management adopted by the financial services industry. The students are able to obtain practical knowledge and skills for implementing operational risk management in a financial institution. The course uses various real-life examples for demonstration in order to give the students firsthand experience of how the practitioners implement operational risk management in a financial institution.

B) Intended Learning Outcomes (ILO)/Objectives

By the end of the course, you will be able to:

- ILO1: Discover how financial institutions define operational risk
- ILO2: Describe regulatory environment surrounding operational risk
- ILO3: Discover Operational Risk Management Framework and apply the framework to manage the operational risks faced by a financial institution
- ILO4: Explain operational risk and convergence
- ILO5: Communicate the outcome of an analysis on a real-life event.

C) Course Content

The course covers the following key topics:

CH1. Introduction to Operational Risk Management

This chapter allows the students to discover:

- ✓ How financial institutions define operational risk
- ✓ The drivers of operational risk management
- ✓ Regulatory environment surrounding operational risk

In addition, it also introduces the students to the main components of the Operational Risk Management Framework.

CH2. Operational Risk Governance I

The first major component of Operational Risk Management Framework is Operational Risk Governance. It is used to support operational risk management process within a financial institution. It consists of 4 elements: Risk Appetite, Governance Structure, Culture & Awareness and Policies & Procedures.

This chapter discusses on *risk appetite* and *governance structure* adopted by a financial institution in supporting the operational risk management process within the financial institution.

CH3. Operational Risk Governance II

This chapter discusses on *culture & awareness* and *policies & procedures* used by a financial institution in supporting the operational risk management process within the financial institution.

CH4. Risk Management Process – Risk Identification and Assessment I

The second major component of Operational Risk Management Framework is Risk Management Process. It lays out the steps needed to manage the operational risks faced by a financial institution. It consists of 5 key steps: Risk Identification, Risk Assessment, Risk Mitigation, Risk Monitoring and Risk Reporting.

This chapter introduces the risk identification and risk assessment processes. In particular, the students are able to discover *internal loss data* and *external loss data* which can be used to identify and assess operational risks faced by a financial institution.

CH5. Risk Management Process – Risk Identification and Assessment II

This chapter introduces the risk identification and risk assessment processes. In particular, the students are able to discover *key risk indicators (KRI)*, *Risk & Control Self-Assessment (RCSA)* and *Scenario Analysis* which can be used to identify and assess operational risks faced by a financial institution.

CH6. Risk Management Process – Risk Identification and Assessment III

This chapter introduces the risk identification and risk assessment processes. In particular, the students are able to discover *capital modelling* which can be used to assess operational risks faced by a financial institution. This chapter is quantitative in nature.

CH7. Risk Management Process – Risk Mitigation

This chapter introduces the risk mitigation process. In particular, the students are able to discover risk mitigation strategies adopted by a financial institution in managing the operational risks faced by the financial institution.

CH8. Risk Management Process – Risk Monitoring & Reporting

This chapter introduces the risk monitoring and reporting processes. In particular, the students are able to discover *risk monitoring and reporting processes* adopted by a financial institution in monitoring the effectiveness of the risk mitigation strategies and reporting the risk related information to the senior management and board.

CH9. Reputational Risk

This chapter introduces the students to reputational risk faced by a financial institution. It also explains why reputational risk is treated as a standalone risk.

CH10. Operational Risk & Convergence

This chapter allows students to discover how operational risk related activities within a financial institution can be integrated effectively with the help of GRC system.

D) Assessment (includes both continuous and summative assessment)

Component	Weightage	Team/ Individual
1. Final Examination	60%	Individual
2. Group Assignment	30%	Team
3. Class Participation	10%	Individual
Total	100%	

E) Planned Weekly Schedule

Week	Topic
1	<u>Lecture 1</u> Introduction to Operational Risk Management <ul style="list-style-type: none">• Definitions and Drivers• Regulatory Environment• Operational Risk Management Framework
2	<u>Lecture 2</u> Operational Risk Governance I <ul style="list-style-type: none">• Risk Appetite• Governance & Organisation
3	<u>Lecture 3</u> Operational Risk Governance II <ul style="list-style-type: none">• Culture & Awareness• Policies & Procedures
4	<u>Lecture 4</u> Risk Management Process – Risk Identification & Assessment I <ul style="list-style-type: none">• <i>Internal Loss Data</i>• <i>External Loss Data</i>

5	<u>Lecture 5</u> Risk Management Process – Risk Identification & Assessment II <ul style="list-style-type: none"> • <i>Key Risk Indicators (KRI)</i> • <i>Risk and Control Self-Assessment (RCSA)</i> • <i>Scenario Analysis</i>
6	<u>Lecture 6</u> Risk Management Process – Risk Identification & Assessment III <ul style="list-style-type: none"> • <i>Capital Modelling</i>
7	<u>Lecture 7</u> Risk Management Process – Risk Mitigation
8	Recess
9	<u>Lecture 8</u> Risk Management Process – Risk Reporting & Monitoring
10	<u>Lecture 9</u> Reputational Risk
11	<u>Lecture 10</u> Operational Risk & Convergence
12	Group Assignment
13	Group Assignment
14	Final Revision