



## Seminar on Practical Techniques for the Management and Measurement of Operational Risk

Basel, Switzerland, 24–26 October 2006

### Agenda

#### *Objectives*

The seminar will provide a platform for speakers and participants to discuss implementation and practical application issues related to operational risk management, measurement and capital allocation under Basel II.

Participants to the seminar are expected to have a broad understanding of the Basel Committee's recommendations on sound practices for the management and supervision of operational risk<sup>1</sup> as well as the proposed methodologies for allocating capital using the new capital adequacy framework. Access to the relevant FSI Connect<sup>2</sup> tutorials will be provided to assist participants with their review of the key elements of Basel II and its operational risk components. Participants should be prepared to actively contribute during the sessions and to share their local market and supervisory perspectives throughout the seminar.

#### *Tuesday, 24 October*

09:00 **Introduction to the Seminar**

*Mr Juan Carlos Crisanto, Senior Financial Sector Specialist, Financial Stability Institute, BIS, Basel, Switzerland*

09:20 **Latest Discussions and Work of the Accord Implementation Group on Operational Risk (AIGOR)**

- Overview of Basel II methodologies
- Advanced measurement approaches' range of practices: Governance, data and quantification
- Home-host supervisory relationships

*Mr Jeff Miller, Member of the Secretariat, Basel Committee on Banking Supervision, BIS, Basel, Switzerland*

10:40 Coffee break

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<sup>1</sup> BCBS, Sound Practices for the Management and Supervision of Operational Risk, February 2003, <http://www.bis.org/publ/bcbs96.pdf>

<sup>2</sup> FSI's web-based learning and information tool for financial sector supervisors which was launched in June 2004.



11:10 **Recent Developments on the Implementation of Operational Risk Capital Requirements in Europe**

- Simpler approaches
- Validation of Advanced Measurement Approaches
- Differences between Basel II and the European framework for operational risk

*Mr Marco Moscadelli, Banca d'Italia and Former Chairman of the Committee of European Banking Supervisors (CEBS) Working Group on Operational Risk*

12:40 Lunch

14:00 **Implementing a Sound Operational Risk Management Framework at HSBC**

- Corporate governance structure
- Operational risk identification, management, measurement and mitigation framework
- The role of internal controls and audit

*Ms Hazel V Taylor, Head of Operational Risk and Regulatory Reporting, HSBC Holdings plc, London, United Kingdom*

15:30 Coffee Break

16:00 **The UBS Operational Risk Framework and AMA Implementation**

- Overview of UBS's AMA model for operational risk
- Internal governance framework
- Operational risk assessment process
- Operational risk reporting framework

*Mr Judson Berkey, Group Operational Risk, UBS, Zurich, Switzerland*

17:30 **Group Discussion: Promoting Sound Operational Risk Management Practices in Commercial Banks**

*Mr Juan-Carlos Crisanto, Senior Financial Sector Specialist, Financial Stability Institute, BIS, Basel, Switzerland*

18:10 End of Session

18:30 Cocktail Reception– BIS, 18th floor

**Wednesday, 25 October**

09:00 **'Merits of The Standardised Approach Position' - The Standard Chartered Experience**

- Standard Chartered - Basel 2 update for operational risk
- Our approach to operational risk management
- Current challenges & practical considerations
- Merits of the TSA position

*Mr Rajit Punshi, Head of Group Operational Risk Policy and Procedures, Standard Chartered Bank, Singapore*



10:30 Coffee Break

11:00 **Underlying Concepts for Building a Sound Advanced Measurement Approach (AMA) Framework**

*Mr Ali Samad-Khan, President, OpRisk Advisory LLC, Stamford, USA*

12:30 Lunch

14:00 **Practical Building Blocks of the AMA Model**

- Fundamentals: Establish the fundamental philosophy
- Data: Deciding on the full set of data elements to be used
- Relations: Describing the relations and uses of the data
- Algorithm: The computational aspects

*Mr Marc Leipoldt, Head of Operational Risk Methodologies, ABN AMRO, The Netherlands*

15:30 Coffee Break

16:00 **How to Gain Value from Scenario Analysis and Data Pooling**

- Practical implementations and best practices in scenario analysis
- How to set up and successfully operate a data pool
- Scenarios, pool data, and capital calculations: cornerstone or afterthought?
- Using scenarios and pool data to drive process improvements

*Mr Johannes Voit, Director, Internal Models, German Savings Banks Association, Berlin, Germany*

17:30 **Group Discussion: Managerial and Financial Benefits to Firms from Implementing AMAs**

*Mr Juan-Carlos Crisanto, Senior Financial Sector Specialist, Financial Stability Institute, BIS, Basel, Switzerland*

18:10 End of Session

18:30 Departure for dinner

19:00 Dinner at Restaurant Löwenzorn

**Thursday, 26 October**

09:00 **Capital Estimation and Operational Risk Modelling Issues**

- Modelling techniques
- Combination of internal data, external data, scenario analysis and business environment and internal control factors
- Current work on correlations and dependence
- Treatment of insurance
- Some AMA validation issues

*Mr Michael Kalkbrenner, Vice President, Risk Analytics & Instruments, Deutsche Bank, Frankfurt, Germany*



11:00 Coffee break

11:30 **Supervising the Advanced Measurement Approaches in the US**

- Policy developments and the implementation process in the US
- Operational risk practices in the US Banking Industry
- Supervisory validation strategies and techniques

*Mr Patrick de Fontnouvelle, Vice President, Federal Reserve Bank of Boston, USA*

13:00 Lunch

14:15 **Approving and Validating AMAs in the German Financial Market**

- Challenges of AMA approval and validation
- The regulatory working group: Tools and methods
- How to apply for an AMA and supervisory steps

*Mr Marcus Haas, Operational Risk Expert, Deutsche Bundesbank, Frankfurt, Germany*

15:45 Final Remarks

16:00 End of the Seminar