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

Basel, Switzerland, 24–26 October 2006

Draft Agenda (as of 25 August)

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\(^1\) as well as the proposed methodologies for allocating capital using the new capital adequacy framework. Access to the relevant FSI Connect\(^2\) 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

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

10:40  Coffee break

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

- Simpler approaches
- Validation of Advanced Measurement Approaches

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\(^2\) FSI’s web-based learning and information tool for financial sector supervisors which was launched in June 2004.
• 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

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 Nick Bolton, Head of Operational Risk, UBS

17:30 Panel Discussion: Supervisory Role in Promoting Sound Operational Risk
  Management Practices in Commercial Banks

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 Programme, Standard
  Chartered Group

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
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*

15:30 Coffee Break

16:00 **How to Gain Value from Scenario Analysis**
- Developing and structuring credible scenarios
- Using scenarios in models
- Linking scenarios and data pooling

*Dr Johannes Voit, Director, German Savings Banks Association*

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

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

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

10:30 Coffee break

11:00 **Current Work on Validating a Comprehensive AMA Model at a Commercial Bank**

*Mr Rudi De Koker, Co-Head of Risk Analytics, Risk Architecture, Citigroup*

12:30 Lunch
14:00 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

15:30 Coffee break

16:00 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, Deutsche Bundesbank

17:30 Final Remarks

17:45 End of the Seminar