

PRMIA LECTURE SERIES

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DATE: 18th January 2005, London, UK
TIME: 6:00 PM
TOPIC: Why COSO is Inappropriate for Assessing Operational Risk
SPEAKER: Ali Samad-Khan, President, OpRisk Advisory LLC, USA

COSO is inappropriate for use in operational risk management because the definition of risk used under this approach is wholly inconsistent with the definition of risk used in the risk management industry and by the BIS. In addition, the risk assessment methodology prescribed by COSO (the *likelihood-impact* approach) is highly subjective, overly simplistic and conceptually flawed.

COSO not only fails to help a firm assess its risks, it actually obfuscates the risk assessment process. Because risk assessment is a foundational element in the risk management process, and because COSO yields an entirely counterfeit set of risks, the spurious and misleading results of the flawed risk assessment stage contaminate every subsequent stage of the process. As a result, the recommended risk mitigation strategy - the set of controls and action plans designed to mitigate the identified risks - is likely to be non-optimal at best. In the worst case, it may lead organizations to expand and intensify control structures in areas where they are already over-controlled, while completely ignoring areas of major control weakness, leaving the organizations both oblivious and vulnerable to huge operational losses that could hit them like a bolt from the blue.

Speaker's Profile:

Ali Samad-Khan is president of OpRisk Advisory LLC, the largest dedicated operational risk management consulting firm in the world, with offices in Europe, Asia and North America. He has extensive experience in operational risk management and is widely regarded as an industry thought-leader. He has previously worked at the World Bank, the Federal Reserve, Bankers Trust, OpRisk Analytics (which was acquired by SAS) and PriceWaterhouseCoopers, where for over three years he headed the operational risk group within the New York FRM practice.

Mr. Samad-Khan is frequently invited to advise the major bank regulatory authorities, including the Basel Committee on Banking Supervision, on operational risk issues. He holds a B.A. in Quantitative Economics from Stanford University and an M.B.A. in Finance from Yale University.

Mr. Samad-Khan can be reached at ali.samad-khan@opriskadvisory.com.

Location & Registration:

This event will be held at ISDA's offices at 1 New Change (by St Paul's Tube Station). It is 6PM Registration for 6:30PM start. Please register by close of business Friday 14th January. Pre-registration is required.