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## Operational Risk Modelling for ICAAP: The right questions to ask (7 hour course)

**Location:** City of London **Date:** 25 November 2020

**Time:** 09:00 – 17:00

### Course detail

A course for NEDs, senior management, financial management staff and risk management staff. This course will enable Directors and staff to evaluate operational risk modelling for ICAAP and to challenge the methodologies and data used for it. When dealing with modelling any risk, Directors and staff will be able to propose alternative approaches from a position of knowledge and understanding.

The presenter guarantees that there will be no differential equations used in the course. Only English will be used (rather than mathematics) to explain the concepts.

### Proposed Agenda and Indicative Timing for each day

**09:00 - 09:30** What you should demand from the models: (30 mins)

- Business useful data
- Input and output that can be challenged
- Obvious parameters that affect capital sensitivity

**09:30 - 10:00** Modelling in financial services: (30 mins)

- Market risk and credit risk advantages and concerns
- Operational risk modelling benefits, problems and limitations

**10:00 - 10:30** The four elements of operational risk modelling: their advantages and problems: (30 mins)

- ILD (Internal Loss Data)
- ELD (External Loss Data)
- BEICFs (Business Environment and Internal Control Factors)
- Scenarios and stress testing (multifactor and single factor events)

**10:30 - 10:45** Coffee

**10:45 - 12:15** Operational risk modelling parameters: (90mins)

- Looking at the (many) parameters that can affect your capital
- Pre-modelling parameters
- Parameters reacting to scenarios, risks and controls
- Capital modelling parameters

**12:15 - 12:45** Basic elements of risk modelling: (30 mins)

- Data requirements
- Monte Carlo simulations
- Random number generators



**13:45 - 14:15 Distributions and other modelling jargon: (30 mins)**

- Distributions, knowing and explaining the differences
- Calibration
- Correlation and Causation
- Diversification
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**14:15 - 15:00 Data and Model validation: (45 mins)**

- What is model validation?
- When?, Who? and How?
- Different validation techniques, including scenarios

**15:00 - 15:15 Coffee**

**15:15 - 16:00 What does the PRA say? (45 mins)**

- How the PRA models operational risk
- Reconciling with your ICAAP approach
- Don't forget model governance

**16:00 - 17:30 Getting your hands dirty (a chance to use operational risk capital models): (90 mins)**

- Using operational risk capital models yourself
- Challenging the model output and varying the risk profile

**The course totals 7 Hours**