



Overview and objectives

IRM NW Group: Operational Risk – only relevant to the Financial Industry?

Presented by Mike Robertson

Overview

- Why this topic?
- The term 'operational risk' is becoming increasingly important in Financial Services sector
 - Institute of Operational Risk (<http://www.ior-institute.org>)
 - Operational Risk Research Forum
- What is it?
 - Is it different from risks we are used to assessing, analysing and managing?
 - If so, in what way?
 - Are there any tools and techniques that we should be aware of/can learn from?

Definitions of 'risk'

The chance of something happening that will have an impact on objectives

- 1: A risk is often specified in terms of an event and its consequences that may flow from it.
- 2: Risk is measured in terms of the consequences and their likelihood.
- 3: Risk may have different levels of severity.

SUPERSEDED

AS/NZS 4360:2004

Effect of uncertainty on objectives

- 1 An effect is a deviation from the expected — positive and/or negative.
- 2 Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).
- 3 Risk is often characterized by reference to potential events and consequences, or a combination of these.
- 4 Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.
- 5 Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of, an event, its consequence, or likelihood..

ISO Guide 73:2009 Risk management - Vocabulary

Definition of 'operational risk'

"The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events."

The Basel Committee (2004)

Drivers of risk thinking

1980s



1990s



2000s



Objectives for the seminar

- Hear from practitioners in different sectors about their approach to operational risk
- Understand a bit more about the applicability of different risk management tools in these sectors
- Elicit any lessons that we can learn from and apply in our own fields of work