

Suggested seminar agenda

Operational Risk Management for Microfinance Institutions and financial institutions in developing markets

as of: February 2011

Please note that details on topics presented, exercises suggested and duration of subjects will need to be adopted according to the starting level of the audience.

Essential Operational Risk Management for Microfinance Institutions

This seminar is offered to senior managers and risk managers of Microfinance companies and other financial institutions doing business in developing markets who would like to complement their know how in financial risks (credit and market risk) with all aspects of operational risk management. While the techniques presented are those established in Western European banks, this seminar will put large focus on how these can be successfully applied under conditions given in developing markets. In this 4 day course participants will learn about

- Globally established best practice of Risk Management
- The essential components of a Risk Management System
- Integration of Risk Management into the business
- Main Operational Risks (Fraud, People, Process, External, ...)
- Corporate Security
- Information Security
- Business Continuity
- The role of Compliance including AML
- The role of Audit and audit defense
- Risk Bearing Capacity and capital requirements
- with plenty of examples and exercises relevant to Microfinance and other financial institutions in developing markets

Day 1

Introduction and overview

History of Risk Management

- Famous examples of risk management failures
- Reactions to financial disasters

Definition of Risk Management

- Basle II definitions

Regulatory Background from selected countries

- Requirements for German Banks
- Requirements for Mexican Banks
- Requirements for US banks
- Other requirements as available from countries represented

Integration of Risk Management within Corporate Governance and business processes

- How corporate governance and risk management support each other

- (Risk) Management principles
- Independence of the risk managers
- Codification in statutes, strategies, policies, procedures, job descriptions, ...
- The internal control system
- The role of Compliance including AML
- The role of Audit
- Resource planning: How many people do you need for all this?
- **Exercise:** set up of a corporate governance scheme for your institutions with focus on the components for risk, compliance, audit and internal control

The role of Risk Management within a company

- Skillsets of a good risk manager
- What are management's expectations?
- Expectations by the others (regulator, investors, insurance companies, rating agencies, ...)
- Cooperation with business departments
- Interaction of Risk Management with
 - Compliance,
 - Audit,
 - Information Security and
 - other security functions
- Competences & Responsibilities
- Internal and external Communication about Risks
- **Exercise:** assess at which state of development your current risk management team is

Operational Risk

- Definitions: understanding what exactly operational risk is
- What differs Operational Risk from Credit and Market Risk?
- Different Types of Operational Risk and how to address them
 - Process Risk
 - People Risk
 - System Risk
 - Legal Risk
 - Compliance & Regulatory Risk
 - Fraud Risk
 - Reputational Risk
 - External Risk

Summary of day 1

Day 2

Operational Risk (continued)

Interactive summary of day 1

The Risk Management Workflow for Operational Risks

- identify risks,
- evaluate risks,
- mitigate risks,
- monitor risks,
- document and communicate risks.

Tools and processes to manage Operational Risks

- Developing and executing Risk Assessments for your organisation
- Implement a New Risk Approval Process
- Identify and monitor the most important Key Risk Indicators
- Set up internal Controls
- Introduce and use a Risk Event Database for professional Risk Event Management
- Use Insurance Coverage where adequate
- Doing Issue Tracking and Follow Up
- Design and deliver Training Programs on Operational Risk in the organization
- **Exercise1:** Perform a Risk Assessment for a bank
- **Exercise2:** Getting started with the ORM for your institution - Setting up an Operational Risk Management Project

IT solutions to support Operational Risk Management

- Make or buy?
- The big picture: Enterprise wide Governance, Risk and Compliance (EGRC)

Summary of day 2

Day 3

Interactive summary of day 2

Information Security

- The importance of information confidentiality, integrity and availability
- Overview on an Information Security Management System as suggested by ISO 27001
 - Risk Assessment and Treatment
 - Security Policy
 - Organising Information Security
 - Asset Management
 - Human Resources Security
 - Physical and Environmental Security
 - Communications and Operations Management
 - Access Control
 - Information Systems Acquisition, Maintenance and Development
 - Information Security Incident Management
 - Business Continuity Management
 - Compliance
- How to get started with Information Security in your institution
 - Defining roles and responsibilities
 - Identifying the main risks
 - Doing an Information Asset Inventory (IAI)

Exercise: Getting started with the IAI for your company / Setting up an Information Security Project



Business Continuity

- Clarify on the goals of Business Continuity Management (BCM)
- Discussion of typical business disruptions and how to cope with them
- The good reasons to invest in BCM
- The BCM process
- How to implement a BCP framework for your company
- How to do a Business Impact Analysis (BIA)
- Practical and effective workarounds in case of business disruptions
- How to set up a Business Continuity Plan (BCP)
- How to test the BCP
- Business Continuity training in your organisation

Exercise: Getting started with a BIA for your company

Summary of day 3

Day 4

Interactive summary of day 3

Country Risk

- Defining and understanding country risk
- Country Risk and Regulatory Risk (being also part of Operational Risk)
- Country Ratings
- Quantification of Country Risk

Capital Requirements and Risk Bearing Capacity

- What is the impact of risks at the end of the day?
- Quantification of Operational Risk
- How to quantify all risks in your institution
- **Exercise:** Setting up a framework to monitor your institution's risk bearing capacity

Compiling the full picture on risks: comprehensive risk reporting

- How should all risks be presented to executive management?
- The structure of a General Risk Report
- Important formalities when working with Risk Reports

External communication about Operational Risk Management

- Communication with your regulators
- Presentations to investors, insurers, rating agencies, large clients, business partners, ...

Outlook

- Regulatory developments
- Expectations from business partners, clients, ...
- Unification of risk and control functions – less silos, better results
- How to continue developing your company's Operational Risk Management capabilities

Summary of seminar





The seminar will provide delegates with a thorough understanding of:

- General Risk Management principles;
- The main risks for Microfinance Institutions;
- The benefits of a risk management system and how it can improve business results;
- How to integrate a comprehensive Risk Management System in an institution;
- How to best coordinate Risk Management with Information Security, Compliance, Audit and other security functions
- The challenges of being a risk manager and how to successfully deal with them;
- How to build and foster risk awareness across the institution
- How to find the right system support using external or internal software
- How to implement and use the right tools and processes for an institution in order to
 - ✓ identify risks
 - ✓ evaluate risks
 - ✓ mitigate risks
 - ✓ monitor risks
 - ✓ document and communicate risks
 - ✓ make sure planned improvements are implemented.

Spreadsheets and sample documents for many of the solutions presented will be distributed to participants to put in practice quickly what has been learnt.

If you are interested in setting up a seminar or training program for your institution, please contact us to discuss further details. We are looking forward to hearing from you via e-mail at info@nomorisk.com or over the telephone on +49 (0)69 17554020-0.

For further information on other training programs and services please visit our website: www.nomorisk.com

