

IOR Newsletter

Inside this issue

From the Chairman	1
IOR Announcements	1
Endorsement Committee Update	1
IOR Communications Team	1
The IOR Annual Lecture	2
IOR Annual General Meeting 2012	2
IOR Elects New Council Members	2
Risk Culture in Financial Organisations	3
Computer – Friend or Deceptive Foe?	3
Risk Management strategy for driving	3
LinkedIn passwords leaked by hackers	3
Lack of resources hinders risk professionals	4
German Chapter Update	4
IOR Council (Board of Directors); Executive Committee and Chapters	5
FSA Events	6
Scottish Chapter Update	6
Asia Chapter Update	6
British Standard in Governance	6
IOR LinkedIn Group	6
Call for Articles	6

From the Chairman Edward Sankey

The Institute recently had its AGM, at which three new Directors were elected by the membership, and David Clark was elected for a second term of office.



The new directors are Peter McCormack, John Thirlwell and Dominic Wu. They bring great experience to the Council. It is particularly notable that in electing Dominic, we have our first Director from one of our Chapters.

*The IOR now has members
in 39 countries*

Stephen Murgatroyd, who leads our Membership activity, has produced some very interesting statistics. The IOR now has members in 39 countries.

Outside the UK there are large membership groups in Hong Kong and Nigeria. In fact in the last year we launched a Chapter in

Nigeria to provide more services to our members there.

We are very grateful to Edima Ben Ekpo and his committee colleagues too numerous to name for their work there. We also were very pleased to launch a Chapter in Germany, led by Walter Dutschke. The Institute is truly international!

I used these statistics in my review of the year that I presented at the AGM. This is available in full on the website.

I would encourage members to consider how playing a part in the IOR's affairs is a great opportunity for personal professional development

The IOR sets out to raise the standards of risk management. It does this in a variety of ways aimed both at influencing decision makers and also in creating opportunity for members to improve their personal capabilities in risk management.

Our success in this arises from the fact that it is experienced practitioners who lead, plan and put in place the IOR's activities.

I would encourage members to consider how playing a part in the IOR's affairs is a great opportunity for personal professional development. It would give you the possibility of developing experience in some activity, such as Communications or Membership policies, that are not available in one's work.

By all means get in touch with me or Asim Balouch, Chairman of the Executive committee, if you would have some suggestions about how you would like to get involved. I promise you an interesting time!

Edward Sankey

IOR Announcements

- 5th July 2012— EVENT: Embedding Risk Culture in your Organisation - Accountability, Strategy & Communication. Sponsored by Methodware and will be a full day event held in Russell Square, London.

Endorsement Committee Update

The endorsements committee has been fairly active so far in 2012. Building on the work the institute is responsible for in raising the profile of operational risk and operational risk professionals we have seen an increase in the number of associations and professional bodies that have sought endorsement by the IOR.

What has been promising is the number of international event organiser's who are developing specific training seminars, events and conferences specifically targeting professionals within the operational risk management space.

Whereas we are unable to endorse every opportunity that we are presented with, a selection of the events that successfully meet the assessment criteria set by the IOR are:

- RiskBusiness' "Masterclasses on Scenario Assessment and Risk Event Classification"
- Infoline's "Fund Management Regulations 2012"
- Incisive Media's "OpRisk Asia 2012 Conference"
- "The Business Continuity Awards 2012"

For more details on these and other events, including discount codes for IOR members, please visit the Events section of the IOR website.

If you aware of an event that may be of interest to the IOR or our members, please email any details to info@ior-institute.co.uk

Daniel Golding

IOR Communications Team

Please send any comments, suggestions, feedback or articles to the IOR Communications Team below:

Alan Dunk: adunk@ior-institute.org
Sue Pang: spang@ior-institutte.org
Ron Cox: rcox@ior-institute.org

The IOR Annual Lecture - Living with Political Risk Regulation, Revolution and the Euro

Earlier this year, Lord Malloch Brown joined the IOR to share valuable insights on political and economic risks facing the business environment both locally and internationally.

Taking account of factors like the Eurozone crisis, how this risk could be better managed in the future, and the consequences of future regulatory plans were all key topics for discussion at his lecture at the Woolgate Exchange.



The lecture went into detail about the business strategies for managing political risk. In particular, the kind of prophylactic steps that companies such as FTI take to manage corruption, and the lack of market standards at sovereign and corporate level to rank corruption.



Lord Malloch Brown is Chairman of FTI Consulting, EMEA, and an Expert in international political and economic developments.

In his career he has been a Government Minister, Deputy Secretary General of the United Nations, and Vice President of the

World Bank. At the United Nations he was involved in more war situations at once than the UK has ever been. He brought great insight to the strong forces at work in finance and business.

A video of the lecture will be made available on the members section of the IOR website.

Parm Evans

IOR Annual General Meeting 2012

At the Annual General Meeting (AGM) in March, Chairman of the Council, Edward Sankey, described the growth and progress made by the institute during the previous year.

He welcomed the setting up of new chapters in Germany and Nigeria, joining the longer-established chapters in London, Scotland and the Far East.

Setting up of new chapters in Germany and Nigeria

A steady rise in membership has brought it up to 278, a solid achievement at a time of financial strain that underlines the value of risk management.

Further markers reported over the past 12 months include: additions to the series of Sound Practice guidelines; the preparation of a major paper in the Cass Capco series on Risk Management; the delivery of a course at the Hong Kong University of Science and Technology by Dominic Wu; the refreshed case book of major losses, "Great Financial Disasters of our time" by member Alan Peachey.

In addition, the institute's endorsement of fifteen events since April 2011 saw members enjoy discounts and/or free delegate places throughout the year on key risk events.

One of the highlights of the year was the address given by Lord Malloch Brown in February with his insights on political and

economic risks facing the profession both locally and internationally. This was well attended by risk managers across the board.

Results of the elections and the new Council were also announced. Edward Sankey thanked the departing board members for their huge contribution to the Council over the years.

On administrative matters, steps are being taken to update member contact details together with audit committee recommendations relating to the terms of reference for the different bodies in the Institute.

In addition, the growing IT infrastructure has supported email and website developments, which make it easier for members to access papers, news on events and other information.

Parm Evans

IOR Elects New Council Members

The Institute of Operational Risk (IOR) has elected three new council members, including, for the first time, a director from outside of Great Britain.

Dominic Wu, leader of IOR's far east arm and the first non-British council member, will be joined by Peter McCormack and John Thirlwell. David Clark has also been re-elected to the council.

Mr Wu is a seasoned public speaker and author on promoting operational risk management awareness and practices in the Asia-Pacific.

In his new role with the IOR he aims to promote the institute as a leading professional body in risk management across Asia by linking members with key stakeholders and developing best practice.

His appointment reflects the growing international scope of the IOR, said the institute.

Parm Evans



IOR Members at the IOR Annual Lecture by Lord Malloch Brown on the topic of Living with Political Risk Regulation, Revolution and the Euro

Risk Culture in Financial Organisations

In association with colleagues from the Centre for the Analysis of Risk and Regulation at the London School of Economics, Simon Ashby (Fellow and Vice Chairman of the Institute) has been awarded a £120,000 grant from the ESRC to look at 'Risk Culture in Financial Organisations'.

The purpose of the 1 year project (which will commence in May 2012) is to design a risk culture dashboard which will allow financial institutions to assess their risk culture and make improvements as necessary.



Interest in the concept of risk culture has increased significantly following the financial crisis, where it was widely acknowledged that weaknesses in the cultures of some banks (such as HBOS, RBS and Lehman Brothers) lead to their demise.

Simon is looking for financial institutions to help in this project - volunteers will receive some free consultancy in return

It is hoped that the project will not only help to improve risk management in banks and other financial institutions, but also add to the currently very limited academic literature on this topic.

Simon is looking for financial institutions to help in this project - volunteers will receive some free consultancy in return. If you would like to know more contact: simon.ashby@plymouth.ac.uk

Simon Ashby

Computer – Friend or Deceptive Foe?

It is impossible to imagine risk management without modern IT capabilities. Widespread access to data storage and processing capability, and handy applications like Excel, enable broad functionality and usage.

As a result, we can statistically analyse actual incidents across a wide range of risks, all classified and categorised. Loss and risk reports can be generated presenting information numerically and graphically to various degrees of detail, focus and materiality. But it is not a one-way street of benefits.

Modern risk management is heavily process driven. How incidents are recorded, risks are described, reports are generated and distributed, are all determined by policies and procedures.

This includes where the reports go to – eg to business unit manager, Risk Committee, Board. One reason for these procedures is the discipline required to make the best use of computer power.



But this process discipline can impede thinking about risks. It is a common complaint among executives that risk reports are too long. Because it is as easy to prepare a "full" report as a short one, frequently risk reports are extensive. Sometimes this is creep – at some past time, directors expressed interest in some issue which in all subsequent reports is reported at more length.



Volume of data does not equal management information.

Standardised reporting carries the threat of overlooking changes in the organisation's risk profile. Focussing on loss events can seduce us into looking backwards rather than forwards to the implications of changing circumstances.

We must invest time to challenge whether the generated reports reflect the most important information directors need to be advised of. Is there something looming that needs to go in? Is there a particularly topical risk, such as the imminent go-live of a major IT project? Has the commentary about a long standing risk started to be complacent and not reflect new developments?

We must use our head and not just the Print button. To be useful, the report must alert managers to the potential need for decision and action. Computer power too easily lures us into just thinking about update on the familiar. There is a real danger of failing to spot the new.

Edward Sankey

Risk Management strategy for driving

Michael Faber, a member of the Executive Committee, has recently improved his personal risk management strategy by further developing his skills in driving cars and passing the Institute of Advanced Motorists (IAM) qualification.



This driving Institute was set up in the UK by the Government as an initiative to reduce the number of deaths on the road for which they have been very

successful. He now recommends this qualification to all drivers. Congratulations to Michael for taking this initiative and for passing! Safe driving to all our members!

LinkedIn passwords leaked by hackers

It has been reported that Social networking website LinkedIn has had more than six million passwords leaked onto the internet.

Hackers posted a file containing encrypted passwords onto a Russian web forum.

LinkedIn has confirmed that they have disabled passwords on affected accounts and that they will be sending emails with password reset instructions.



If you have a LinkedIn account you should.

- Change your LinkedIn account password immediately.
- Change other account passwords where you have used the same username/email/password combination.
- Review your list of LinkedIn contacts to ensure there are none that are unfamiliar
- Be suspicious of unsolicited emails that appear to come from LinkedIn asking for personal, sensitive or financial information.

Ron Cox

Lack of resources hinders risk professionals

Research by Ordnance Survey among Directors and Managers of Operational Risk in the financial sector reveals that a lack of resources continues to be a problem as operational risk keeps increasing in importance.

Despite operational risk moving up the organisational agenda, only 49% believe they currently have sufficient resources to achieve their objectives. Nearly 65% say they are expecting resources to be a key issue facing their role over the coming year.

Technological developments are enabling advanced risk management, but not all are taking advantage of the full range available. While 66% of respondents regard address and location information as vital, very important or important to their organisation, only 35% are actually utilising geographic data in their role. Those taking advantage of it are using it for disaster scenarios and catastrophe modelling, fraud analysis, hotspot and pattern analysis, money laundering analysis and branch network management.

80% of operational risk managers surveyed were responsible for contingency planning, but according to the research they lack the resources to support them with this important task. Real-life geographic information could help enormously, enabling managers to produce contingency plans more efficiently.

The research shows that most operational risk managers do understand the importance and usefulness of geographical data in risk management, yet 66% of those surveyed are still not taking advantage.

Other key issues facing operational risk managers included management of data and systems

The most important aspects of operational risk identified were execution, delivery and process management (60%) followed by clients, products and business practice and business disruption and system failures. Other key issues facing operational risk managers included management of data and systems, which has more than doubled in importance since the last research from 30% to 70% as it becomes a critical focus to allow risk managers to manage and mitigate risk more efficiently.

Sarah Adams
Ordnance Survey

German Chapter Update

iORM - Integrated Operational Risk Management

The abbreviation iORM is not a new product of one of the largest computer manufacturers. The "i" stands for "integrated" in the sense of an approach that brings together the different parts of operational risk management into a meaningful whole for the benefit of all concerned.



Walter Dutschke (IOR) welcoming the attendees to the forum

This integrative, holistic approach was the central theme of the forum on Operational Risk that took place on 10th May in Cologne. It was about working with the mainstays of Operational Risk Management namely Legal, Compliance and Insurance Management.



Susanne Viebach (dwpbank) talked about insurance management and hedging operational risk

The weaknesses of the approach of "Every Man for Himself" were pointed out as well as many redundancies in tasks and procedures and instruments used in reporting. Board members often have to deal with reports from various fields whose contents overlap each other, but ultimately do not match.

For iORM communication and cooperation are crucial and a challenge for the leadership culture. Ways and examples were shown how the iORM in the organisation can be developed - bilateral service level agreements and regular exchanges of lessons learned and planned projects and many more.

We have to focus on the causes, including the familiar "knowledge is power - why should I share this power?". To develop incentives for behavioural change is the challenge.



Daniel Butler (Aon Ltd) presenting a session on an integrated approach to operational risk

The second focus of the forum was the approach of iORM related to the operational risk-related types of risk. Especially the use of the reputational risk in practice was highlighted and, what a surprise, it shows a very heterogeneous picture with good examples, but also various improvement approaches.



Thomas Kaiser and Petra Merl during a panel discussion

Any consideration of the "financial industry" is important to note that supervision is not only on the amount of time, but also actively contributes to the further development process.



Attendees showing their appreciation

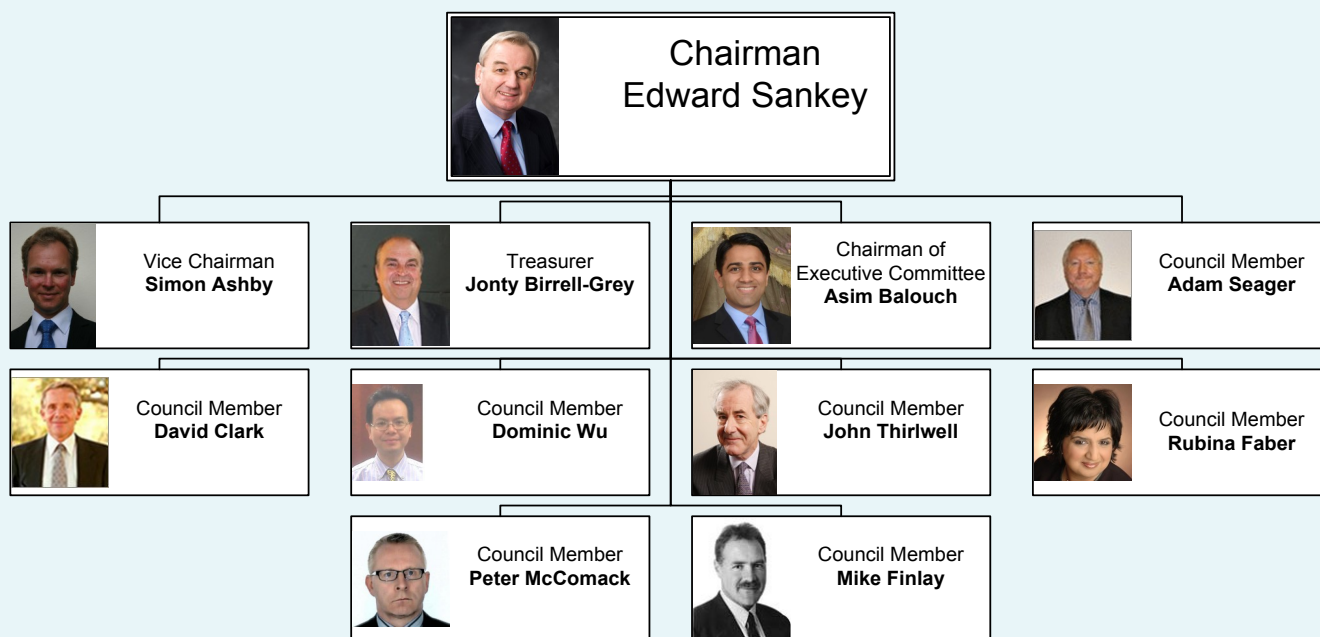
The forum was an open, lively exchange between the speakers, panellists and participants. It is hoped that an idea or two finds its realisation in practice.

Walter Dutschke

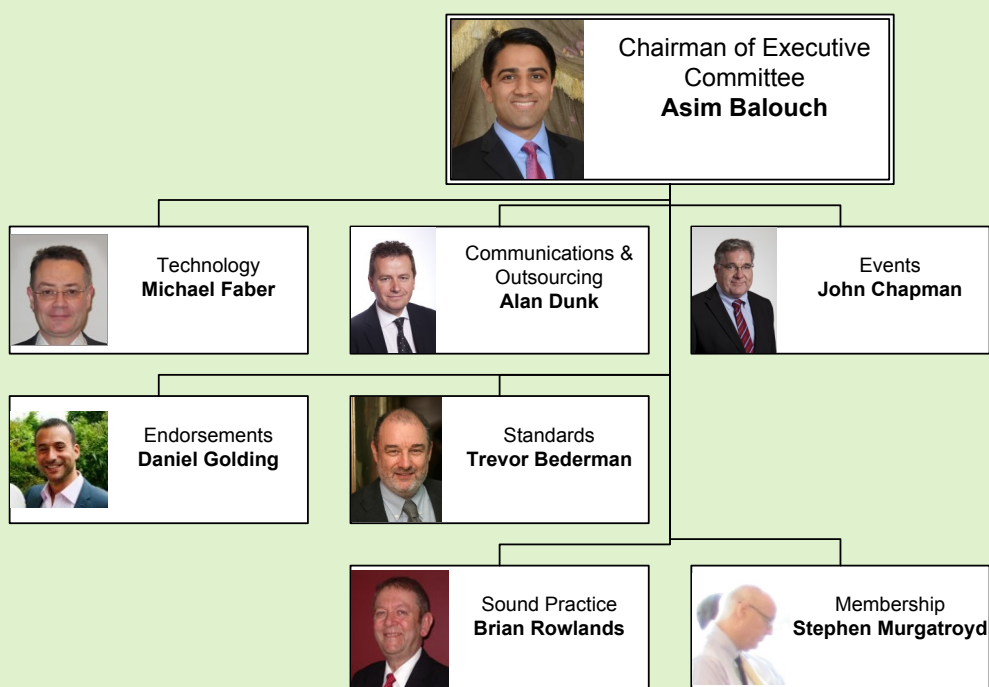
IOR Council (Board of Directors); Executive Committee and Chapters

Find below a simple organisational chart showing the current individuals involved within the structure of the Institute of Operational Risk.

Please feel free to make contact via email address info@ior-institute.co.uk with any ideas or offers that will add value to the IOR.



Council



Executive Committee



IOR Chapters

FSA Events

- **Risk Management Symposium:** 29 - 31 July 2012, St John's College, Cambridge £1,250+VAT (£1,500)
- **FSA Enforcement Conference:** 2 July 2012, The Brewery, London £435 + VAT (£522)
- **FSA Annual Public Meeting:** 3 July 2012, The Brewery, London (At this annual event the FSA will discuss their 2011/12 Annual Report)

Scottish Chapter Update

The Scottish Chapter of the IOR held a hugely successful 1st annual conference at Glasgow Caledonian University during October 2011.

A plethora of speakers attended, with representation from the FSA, IOR members and other Operational Risk subject matter experts. Over 100 delegates attended the event.

Representation from the FSA, IOR members and other Operational Risk subject matter experts

Since then, our 2012 annual calendar of events launched with a seminar held in February 2012 at Standard Life offices which focused on the regulatory guidance on Risk Appetite and featured an open discussion / seminar on what people are doing/have done to address the expectations.

The key focus was to exchange/share views between practitioners and ask questions as to what has worked well, what doesn't work well and the overall event resulted in a hugely beneficial information exchange. A further event was held on April 2012, this

Topics were Risk Categorisation and External Losses

time a breakfast seminar hosted by Deloitte and was based in Glasgow. The topics were Risk Categorisation and External Losses both topic being the subjects of recently published Sound Practice Papers. The Guest speaker was John Winter from SunGard.

For further information on the Scottish Chapter 2012 events, please contact ctinsley@ior-institute.org.

Caroline Tinsley

Asia Chapter Update

A well-attended lunch seminar on the subject of "Sound Practices for Managing Operational Risk" took place on 21 March which was kindly sponsored by IBM.

The largest Industrial Event for Risk Professionals in Hong Kong in the first quarter of 2012

Sue Pang provided a briefing on Risk Control Self-Assessment based on the recently released best practice guidance paper. The lunch seminar was the largest industry event for risk professionals in Hong Kong in the first quarter of 2012."



Dominic Wu, Chairman of the Asia Chapter gave a speech on operational risk for the 2nd Annual Conference on Custody, Clearing and Settlement was organised by IQPC and held during March.



The Asia Chapter has worked with the Directors of Risk Management and Business Intelligence Programme of Hong Kong University of Science and Technology and delivered a series of training courses for the undergraduates based on the IOR Best Practice Guidance Papers.

A series of training courses for the undergraduates based on the IOR Best Practice Guidance Papers

More than 30 students joined the course and another 30 students from the Business Mathematics stream joined the luncheon sharing session to discuss the business, career prospects and recent market events.

In addition to this the Chapter joined the Annual Risk Symposium organised by the University.



The steering committee has been invited by Hong Kong Institute of Bankers to provide comments on the Operational Risk Management training course syllabus.

Dominic Wu

British Standard in Governance

Several members of the IOR, including members from Council and Executive are involved in the development of the first British standard in Governance, incorporating Corporate Governance.

Rubina Faber, a Council member of the IOR will keep members informed of the progress, including providing the details of the 'Draft for Public Comment' that will be available later in the year giving IOR members the opportunity to review, comment and therefore the potential to influence the final published standard.

IOR LinkedIn Group

The IOR LinkedIn discussion group now has in excess of 1,200 members from all around the world. If you have not already joined, please check it out.



If you have joined but not yet started a discussion or joined in an existing discussion please ask a question or provide your point of view. It is a great way to network with fellow IOR members and also other Op Risk professionals.

Call for Articles



This newsletter is a members newsletter and looks forward to accepting submissions by any member of the Group. These submissions may include research, review, comment, conference coverage or any other form of article that is risk related.

Disclaimer

The articles in this newsletter are written by a variety of authors. The opinions expressed in these articles are the views of the author of the articles and not necessarily the views of the Institute of Operational Risk nor the employer of the authors.