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From the Chairman Edward Sankey

At the AGM one of the Most Valuable Players in the IOR retires from the Council and its Vice Chairmanship.



Michael Faber was one of the founding group back in 2004 and has been deeply involved ever since.

One of the Most Valued Players in the IOR retires from the Council

Michael was on the Steering Committee and later the Executive Committee. In December 2005 he was elected to the Council. For the last year Michael has also been Chairman of the Executive Committee. From early times Michael took the Technology reins. On a shoe string, Michael has provided us with a fine website and databases. He has provided us with excellent means for disseminating information and enabling members to stay in touch. Michael's resourcefulness in many directions has been invaluable.

Fortunately Michael will still lead Technology on the Executive Committee and give valuable time to the IOR. But as he retires from the Council I and the Directors

want to thank Michael for his huge contribution.

It seems that a day does not go by without some new demonstration of the risks businesses are exposed to. The last twelve months have seen volcanic ash clouds, rig blow-outs, big freezes (NW Europe), immense flooding (Australia), political and civil disruption, and now the tsunami. Our challenge is to convince management that it is productive to invest time in how the firm can be made resilient to barely imaginable events.

Organisational Update

There have been some changes to the Executive Committee. The new Chairman, appointed by Council on 11 March, is Asim Balouch. The other members of the Executive Committee are:

Stephen Murgatroyd (Membership lead)
John Chapman (London Events lead)
Michael Faber (Technology lead)
Asim Balouch (with Ron Cox Communications leads)

Other leads are:

Dr Jeremy Quick: Course Accreditation
Trevor Bedeman: Continuous Development
Daniel Golding: Endorsements
Alan Dunk: Contract Manager
Jonty Birrell-Gray: Honorary Treasurer

If you need to get in touch with any of these please email the communications team.

IOR AGM and Annual Dinner

We are delighted to announce that the IOR Annual General Meeting and Annual Dinner will be held on Thursday 24 March 2011 at HQS Wellington, London.



Moored on the Thames since 1948, now at Temple Stairs, Victoria Embankment and home to the Honourable Company of Master

Mariners, a City of London Livery Company, the historic ship Wellington is the last surviving member of the Grimsby Class of sloops which served the nation with such distinction in World War Two.

Her engine and boiler rooms were transformed into a unique Court Room for meetings, conferences, dining and receptions. Office space for the management of the company, its charitable trusts and its library are included along with public spaces to display an impressive collection of marine paintings, ship models, silver and other artefacts of maritime significance. Now a floating library and museum, this unique venue is a fitting host to this year's AGM and Annual Dinner.



A reminder of the schedule of events for the evening is as follows:

6.00 - 6.45pm AGM
 6.45 - 7.15pm Champagne Reception
 7.15 - 11.00pm Annual Dinner and guest speaker

Please be advised that dress code for the evening is business attire.

How to book

Complete and submit your [registration](#) online now or download a copy of the [booking form](#), complete and return by either email, fax or post as per the instructions detailed on the form.

For further information on the event or how to book, please don't hesitate to contact Margaret Egunjobi at margaret.egunjobi@secretariat.org.uk or tel: +44 (0)20 7227 3464.

There are also a range of event sponsorship options available - offering you a unique opportunity to promote your message and your business to powerful client contacts. To learn more about the options available, please contact Margaret Egunjobi as above.

We look forward to welcoming you on board!

Shiela's Wheels Come Off!



No doubt most of you will have seen the articles published in the national press regarding the recent ruling on EU gender discrimination banning risk-based gender pricing on insurance products. MP's too have been quick to jump on the populist message. Conservative MEP Sajjad Karim said: 'This ruling is pure folly. It is a setback for common sense'.

Being involved in the business of risk, for us the concept of an assessment of the potential impact and probability of a risk based on the analysis of historical data is a familiar and logical one.

What perhaps is less evident is the fact that the potential for this situation to arise has been an emerging to live risk on the radar of many risk managers in the insurance industry since 2007. The Association of British Insurers (ABI) first flagged up that the EU Gender Directive was to be transposed into UK law by 21 December 2007, pointing out that the Directive prohibits gender-based differences in insurance, but offers Member States the option to continue with gender-based differences - provided insurers publish data to justify the principle of gender-based differences in insurance.

Being involved in the business of risk, for us the concept of an assessment of the potential impact and probability of a risk based on the analysis of historical data is a familiar and logical one.

The ABI started collecting data in March 2008 to seek to provide published data, indicating that differences by gender in prices and terms are based on actuarial/statistical differences, and are not 'discriminatory'.

They have kept a close eye on proceedings since 2009 when a consumer organisation in Belgium questioned the rule that allowed "proportionate differences" in premiums where sex is used as a "determining factor". Advocate General Juliane Kokott,

subsequently examined the issue in September 2010 and recommended that the Court of Justice of the European Union rule that it was inappropriate to link insurance risks to a person's gender.

The Court delivered its ruling in the Test-Achats case and concluded that different insurance premiums/products for women and men constitute sex discrimination and are not compatible with the EU's Charter of Fundamental Rights. Member States are not allowed to derogate from this important principle in their national legislation. The relevant "carve out" clause in the Council's 2004 Directive on gender equality is thus illegal.

The ABI estimates that women drivers under 26 face a 25 percent rise in car insurance rates, with a 10 per cent drop in rates for men within the same age group.

The Court ruled that the carve out in the legislation was a transitional period and allowed until 21 December 2012, five years after the Gender Directive was enacted, and after this date insurance must become unisex. The Financial Services Authority has already asked those insurers affected to provide an initial indication of their intended actions.

Elsewhere in the EU, insurers already apply unisex premiums for car insurance, and one to two life insurers are applying unisex annuity pricing. Experts say the overall cost to UK customers of the judgment will be almost £1 billion.

The ABI estimates that women drivers under 26 face a 25 percent rise in car insurance rates, with a 10 per cent drop in rates for men within the same age group. This is because men under 22 are ten times more likely to have a serious crash, 25 times more likely to commit a driving offence and twice as likely to make an insurance claim.

In regard to annuities, the ruling could see men's payouts reduce by between 5 per cent and 10 per cent while women's payouts could climb by 2 per cent to 3 per cent. As men have a lower life expectancy, payouts are traditionally higher because the company making the payout knows they are likely to be for a shorter time.

For life insurance, men could see a 10 per cent fall in costs, while women's rates could rise by as much as 20 per cent. Other products affected include critical illness and long term income protection. It should also be noted that it may affect the service offered, for example, breakdown insurers no longer giving priority to lone females.

Next to loom large on the emerging risk register is likely to be the proposed EU Equality Directive which would prohibit discrimination on grounds of religion or belief, disability, age or sexual orientation.

Ironically the European Women's Lobby (EWL) and AGE Platform Europe partnered up with the Belgian consumers' organisation Test-Achats to bring this case when, in the view of the Industry, it is females who will have the greatest increase in costs.

Next to loom large on the emerging risk register is likely to be the proposed EU Equality Directive which would prohibit discrimination on grounds of religion or belief, disability, age or sexual orientation. As currently drafted this proposed directive contains a carve out for insurance similar to that which has just been found to be invalid.

Following the logic of the Test-Achats case, pricing based on these characteristics could also be considered to be incompatible with EU law and it seems likely that this carve-out will be removed.

This is a particular concern for life and health insurance as regards age and disability. The debate on this directive, which is expected in June this year, will likely include discussion of how such insurance can operate if it cannot take into account age and disability.

The judgment will not prevent insurers from maintaining their advertising targeted at specific genders so the EU has not protected us from singing ladies in pink dresses marketing car insurance.

Adam Seager & Jason Rose

BIS Operational Risk Consultation Papers

Two Operational Risk consultation papers were recently published by the BIS (Note: consultation ended 25th February). They were:

- A revised version of the ['Sound Practices for the Management and Supervision of Operational Risk'](#)
- A new paper which follows on from the Loss Data Collection Exercise papers and is called ['Supervisory Guidelines for the Advanced Measurement Approaches'](#)

Andrew Sheen

Sound Practice Guidance – Members Survey

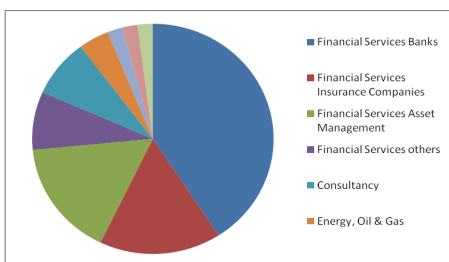
Thank you to all those who responded to our survey about the Sound Practice Guidance publications. During 2010 we published four Sound Practice Guidance papers: Operational Risk Appetite, Risk Control Self Assessment, Operational Risk Governance and KRIs. And three others are under way: Risk Categorisation, External Loss Events and Scenario Analysis and Stress Testing.

Since publication in November the KRI papers has been downloaded more than 2,000 times.

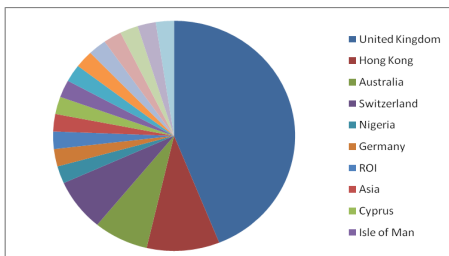
To date over 30 practitioner's from several countries have contributed to these papers. The process has robust quality control and is also a collaborative effort. Each module is developed by a Working Group and all Working Group leaders are also part of the Leads Group which manages the process and advises and approves each paper at designated milestones.

Finally all papers go through a review process with a Steering Group before they are signed for publication.

Since publication in November the KRI papers has been downloaded more than 2,000 times.

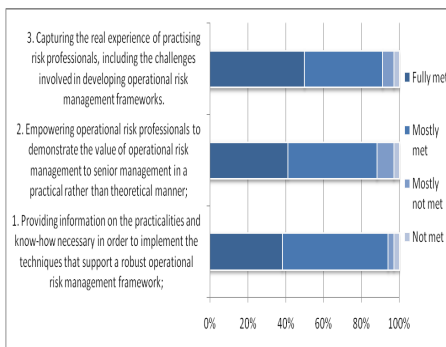


Survey respondents by industry sector

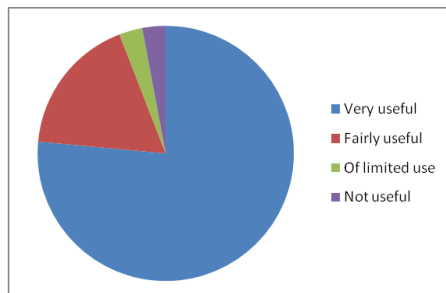


Survey respondents by country

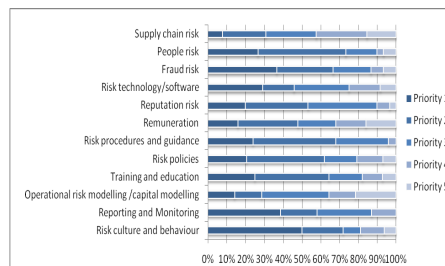
Q1. How well have the aims of the Sound Practice Guidance been met?



Q2. How useful have you found the papers?



Q3. Which subjects would you like to see covered by future Sound Practice Guidance papers? Note that papers on Risk Categorisation, Loss Events and Scenario Analysis & Stress Testing are in progress.



Richard Baker

Inaugural Financial Services Operational Risk and Compliance Forum Australia

The Institute of Operational Risk was represented at the inaugural Financial Services Operational Risk and Compliance Forum held in Sydney on the 15/16th February 2011. Organised by IQPC Events, a Fellow and past Council member of the Institute, George Clark, spoke at the conference highlighting the importance for operational risk practitioners of working across risk silos and the advantages of looking to other industries and disciplines for lessons learned, key benefits from membership of our Institute.

Within Australia the Institute has members in New South Wales, Victoria and Queensland.

George Clark

BSI standard 31100 Risk Management Code of Practice Review

As some of the members may be aware, I have been working on behalf of the IOR with the BSI (British Standards Institute) for several years on the Risk Management standard BS 31100.

The standard was first launched in 2008 and was then followed by an International standard ISO 31000.

As a result of the ISO standards publication, we (the BSI RM committee) have looked at aligning the British Standard more closely to the ISO standard, while still providing added value in terms of the increased detail to that of the International standard and also guidance on implementation.

We have now (1st February) issued the revised document for public consultation (DPC) and it is my role to obtain views from the IOR members that may help to further improve upon the standard, prior to formally re-publishing later in the year.

The consultation period runs from 1st February to 31st March and if any member wants to send any comments please send them to me prior to end of March for consideration. For those International members I would particularly like to receive any comments regarding the 'readability', as British Standards are used Internationally and it is important to ensure the text and context is appropriate in other countries and where the local language is different.

Please also keep in mind if reviewing the document, that it is a challenge to produce any standard that is of benefit to large, medium and small organisations, and appropriate for all industry sectors - public and private.

I hope you find this of interest and that you see this as an opportunity to influence this standard before it is re-issued.

Michael Faber



Financial Risks Today is a new information source for professionals who deal with risks.

The magazine. provides information, comment, explanation; and provokes debate; all to help steer you through the maelstrom of regulatory compliance, investment risk, political risk and all the challenges that face financial institutions.

IOR UK Chapter Events

Upcoming Events:

- **The FST Conference and Expo:** IT Security and Storage, Data and Cloud Computing Conferences
*Thursday 31st March 2011, 09:00 - 16:30
Lancaster London Hotel, London, W2 2TY*

Members of IOR have been invited to attend this event free of charge!

Click on the link below to book your free space: www.fstech.co.uk/fstlive/expo/online_booking_form.html or email your name to hayley.kempen@fstech.co.uk with the subject line 'FST Conference Booking'

- **Front, Middle and Back Office Controls**
May 2011 at Royal Bank of Scotland
A discussion focussing on best practice with presentations from representatives of the various functions across an Investment Bank.
- **Operational Risk on a Shoestring**
August 2011 – location tbd
An event aimed at everyone working with limited resources to a specific budget. Examine options such as mentoring, tips and techniques, basic standards, what is compulsory? What do you leave out? Outsourcing options?
- **Legal and Compliance Risk**
November 2011- location tbd.
A cross industry view, investigating regulatory and legal risk, compliance with statutory requirements, documentation and associated control policies.

I would particularly like to hear from any members who think they may be in a position to offer premises for use as an All Day Event venue

Events Held Since Last Newsletter:

- **Fraud, Cyber Crime and People Risk**
Thursday 10 February 2011, Bank of America, London
- **IT Risk Management: Roundtable Discussion**
Thursday 18 November—The Walbrook, London EC4N 8BS

I would particularly like to hear from any members who think they may be in a position to offer premises for use as an All Day Event venue and I would also like to hear from any members who have ideas for Guest Speakers.

John Chapman

Scottish Chapter Update

The Scottish Chapter was delighted to be able to welcome Mr Andrew Sheen from the FSA as a keynote speaker at a recent event, kindly hosted by Standard Life at their Edinburgh Head Offices on Thurs 27th January.

The focus of the evening was Operational Risk Governance

This was the Chapter's 1st event of 2011. Indeed the Chapter has just recently celebrated its 1st anniversary.

The focus of the evening was Operational Risk Governance and Andrew Sheen presented an overview of the recently published FSA guidance paper that he co-authored "[Enhancing frameworks in the standardised approach to operational risk](#)"

Also presenting at the event was Vicky Kubitscheck, CRO at Police Mutual, Independent Risk & Governance Advisor and IOR member. Vicky has been a guest speaker at a previous 2010 IOR event was invited back by very popular demand. Vicky continued the theme of Op Risk Governance in her presentation and included reference to the Walker Report.

Other 2011 Events planned

The Chapter is pleased to be able to confirm 2 further events that will take place this year:

- Q & A Discussion Forum to take place at Scottish Widows offices, Edinburgh during May 2011 (This will take place between 5-7pm and will focus on specific topics of interest that we have received requests for at previous events) – further details and exact date tbc
- Breakfast Seminar to be hosted by Deloitte at their Glasgow offices on Thurs 25th August. The topic for this event will be Scenarios & Stress Testing (limited to 20 places only)

If you would like further details of these or other Scottish Chapter activities (when available), please contact Chapter Secretary, Caroline Tinsley in first inst at ctinsley@ior-institute.org

Caroline Tinsley

German Chapter Founded



The first OpRisk conference of the newly founded German Chapter is planned to take place in Frankfurt am Main on May 17, 2011.

It deals with experience reports and new challenges towards operational risk in the finance industry. The conference should be of interest to both managers dealing with Standardised Approach as well as Advanced Measurement Approach. A detailed agenda should be available end of March. IOR members have first priority to attend.

Suggestions or enquiries are welcome. Please contact Walter Dutschke, head of German Chapter, under wdutschke@ior-institute.org or mobile +49 172 814 3603.

Walter Dutschke

London Marathon



IOR member Martyn Rodden is competing in the 2011 Virgin London Marathon. Please see below his plea for sponsorship:

"As many of you will know this will be the second year I have run the London Marathon and this year I'm running for [Coram](#), a fantastic children's charity who help vulnerable kids all over the UK get out of the state system and into loving homes. Through Coram these kids have a real chance of a better life and a better future.

In 2010 I ran London in just over 4hrs and I'm back this year to break that and get something beginning with a 3! (i'll take 3hrs 59mins and 59 seconds right now!)."

If you wish to sponsor Martyn Rodden please go to the following link <http://uk.virginmoneygiving.com/MartynRodden>

If any other IOR members are competing in the London Marathon please let the IOR communications team know your finishing time and how much you raised for your specific charity.

IOR Communications Team

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

Asim Balouch: abalouch@ior-institute.org

Ron Cox: rcox@ior-institute.org

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.