SEPTEMBER 2016

IOR Newsletter

Special Edition

Welcome to a special edition of the Newsletter of the Institute of Operational Risk. This publication is designed to help keep members and non-members informed of developments within the industry and also within the IOR itself. If you would like further information about any of the issues raised in this newsletter, or have any suggestions about how we can improve the content or design, please do not hesitate to contact the Editorial team at the following address: info@ior-institute.co.uk

Strategy Day

Council and Local Chapter Heads one-day conference 9th June 2016

Left to Right: Iain Wilson; Bharat Thakker; Trevor Bedeman; Jennifer Moodie; Niall Kinloch; Caroline Tinsley; Matthew Behan; Enda Twomey; George Clark; Alan Dunk; Caroline Coombe; Alex Dowdalls; Edima Ben Ekpo; Walter Dutschke; Mervyn Pilley.

On the 9th June 2016, Council and Local Chapter Heads met in London. The event was hosted by Santander, a corporate member of the Institute. The agenda was to discuss and develop the Institute's long term Strategy beyond, but building on, the current focus of education and professionalising the Institute.

The Institute continues to grow and this was the opportunity to test and validate our reasons to exist. It also provided the chance to consider what the Institute can uniquely bring to the market. As risk managers we all know that the context and environment in which we operate is critical to how we approach things. This is no different to our future as an Institute. The financial services industry is still resolving the operational risks driven by cultural and behavioural issues post the global financial crisis and product mis-selling events. Recognising that we are an international Institute we have many things which influence us but we can see common themes across geographies and regulatory jurisdictions. Many of these themes were picked up in a paper from the Centre for the Study of Financial Innovation, Setting Standards: professional bodies and the financial services sector (December 2014) view here.

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Strategy Day

That paper formed a core part of our discussions as it sets out what it means to be an Institute or professional body. It also describes the challenges and opportunities in the current market place for professional bodies, industry and governments. The discussion was also informed by presentations from each of the Directors with Portfolio, our suppliers and the leaders of our work on education and sound practice papers. In the lead up to the strategy conference views were also sought from a number of regulators, peer bodies and independent thinkers.

This research base led to some great discussions. The outcome is that this leadership group is now clear and aligned on the direction of the Institute. Although work is already under way, more energy and direction will be put into this during 2017 and beyond. Our objective is to achieve real evidence of delivering on our strategic objectives by 2022.
So what does it mean for the Institute? The highlights will be developed at our upcoming AGM but in summary:

- We aim to be a uniquely positioned professional body for operational risk practitioners
- We are happy to take membership from any industry but our creation and current membership comes from the financial services industry and that will be our focus
- We seek to drive professional standards including: formal qualifications, continuous professional development, events, discussions and to lead conversations with industry and regulators on what it means to be a credible and certified operational risk professional
- We will set higher membership standards introducing ever more focus on ethics and values, professional development and will bring discipline to maintaining those standards
- We will develop an operating model supported by appropriate resources which can make this happen

The benefit for members is that your association with the Institute of Operational Risk will have increasing value, both personally and professionally. The benefit for our industry is that it will have a resource that will develop true operational risk professionals of measurable quality and integrity.

Of course none of this is easy. Nothing worthwhile ever comes easy. As a volunteer led organisation we rely heavily on your goodwill and contribution. I can guarantee that if you wish to make a real contribution to your Institute's development, there will be many opportunities for you to make a difference.

Education

Of course our education programme is a critical part of both our immediate and long term strategy. Much of the Institute's resources and energy have been put into this programme. Our immediate objective is to deliver an entry level Certificate of Operational Risk Management (CORM). I am amazed at how much has been achieved so far using mainly volunteers. I am humbled at how freely people have given of their time and skill to get us to where we are today.

In the last newsletter I gave a brief update on the education programme's progress. Following the strategy day of the 9th June, Council wanted to spend our August meeting focused solely on how the Institute is supporting this work. Following that review Council was keen that we update members on progress and next steps.

The previous newsletter update described the programme's 3 phases;

Phase 1 – Course content, workbook and pilot
The Workbook pilot completed on schedule in August and involved 29 individuals from many different geographies. The pilot involved participants completing the workbook study requirements, undertaking a multiple choice exam and, crucially, providing feedback on the experience, including the relevancy and usefulness of the material. The Institute is very grateful to all those who took part and successfully completed the pilot.

The programme team is now analysing this feedback, supplemented by other expert reviewers who focused purely on content. The plan is that the feedback will be considered by a small panel who will agree final content. We know that the content must achieve specific educational standards and this will form part of the panel review.

Once that review is complete then, via a tendering process, a professional editor will develop the content into a style and format consistent with the requirements of a formal Certificate.

We remain on track for Phase 1.

Education (continued)

Phase 2 – Suppliers and Support
This is the engine room of the programme and where the detailed work is now concentrating. There are opportunities for members to support the resourcing of this work. On the basis that many hands make light work we would welcome volunteers in the following areas: Legal (trademarks, legal agreements etc.), Testing/Business Readiness and Process definition, and Marketing/PR and Exam delivery. More information can be provided upon request to info@ior-institute.org.

We have started the process to achieve Ofqual accreditation. At this stage Council is supporting 2 paths, via a specific intermediary on a one off basis or partnering long term with a highly credible academic partner who may be more able to support the ongoing development of our education programmes, including a Diploma in Operational Risk. The challenges involved reflect our status as a volunteer led organisation, the initial volume of probable participants and timelines being outside of our direct control. The eventual choice will depend on a number of factors but effectively, time, cost and benefit. As we have developed these conversations the detail of what needs to be done has become clearer. The amount of work needed is significant and has included: the development of specific policies, identifying the need to create a number of panels to either support the policies or the ongoing maintenance of the course material, reviewing the back office support needed and how this new activity links with our existing systems and records.

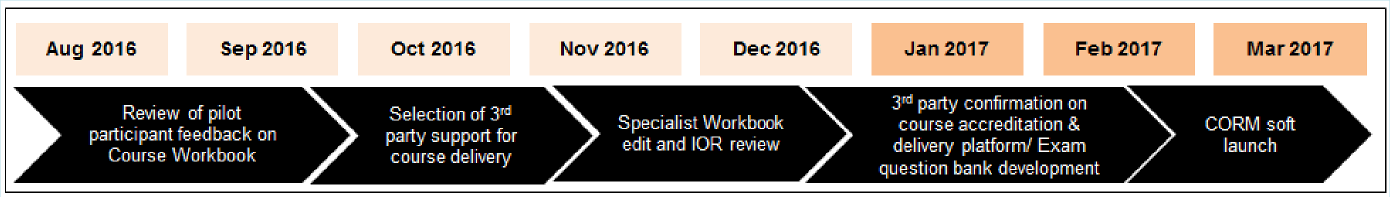
I mentioned the need to set up a number of panels. Via this newsletter the Institute seeks nominations for volunteers to join these panels. Specifically we need members for:

- Complaints- including complaints from any students undertaking education programmes
- Workbook content- the content needs to be maintained and updated on a regular basis
- Exam content – we need to build a bank of exam questions and then maintain these questions in line with learning outcomes and workbook updates

I think this is a fantastic opportunity for our Fellows and members to contribute. The panels would also benefit from having members who are current hands-on practitioners. This will make sure we maintain relevancy for our marketplace. The Institute is also open to having independent members on each panel and recommendations would be very welcome.
The programme is also deep into conversations with suppliers on delivering the exam environment. Again options are limited by the probable early numbers but the suppliers being considered can provide a secure, internationally available environment. Again the challenges reflect data flows, manual workarounds and the long term benefits of the options available.

Phase 3 – Launch activity
As we work through the detail of Phase 2, our thinking on launch activity has changed. Like any complex project, as more information becomes available, plans change.

Our path to full implementation is now based on a “soft launch”. This soft launch will work with a small number of individuals and organisations so that we can control the flow through these new and untested processes and procedures. Unlike in the Phase 1 pilot, participants will receive their Certificate of Operational Risk Management once they successfully complete the exam. We aim to offer pilot participants a path to achieving the CORM, which recognises their previous contribution and study but does not compromise the integrity of the qualification.


Aug 2016
Sep 2016
Oct 2016
Nov 2016
Dec 2016
Jan 2017
Feb 2017
Mar 2017
Review of pilot participant feedback on Course Workbook
Selection of 3rd party support for course delivery
Specialist Workbook edit and IOR review
3rd party confirmation on course accreditation & delivery platform/ Exam question bank development
CORM soft launch

The diagram indicates our planned timeline. It aims to minimise the risk to the Institute and ensure we can scale up once we know we can. The Institute will only have one chance at launching this into the market. It is more important that we do that effectively rather than we focus on self-imposed targets, which are not fully informed.

Research confirms that there is an appetite for this qualification and a subsequent Diploma. The programme has already achieved more than I personally could ever have hoped for from a largely volunteer resourced programme. I remain convinced that we can deliver the CORM and programme objectives. This is a core element of our long term strategy in building the Institute as a professional body supporting the discipline of operational risk. I look forward with much anticipation to 2017 and what we can achieve with the support of our members and wider community.

Annual General Meeting

The AGM will be held in London on the 24th November 2016. Full details will be published on the website and via the normal communications to members in advance of the meeting.

Please put the date in your diary. The future of our Institute is full of potential and the AGM allows you to hear first-hand from your Council how we can turn that potential into a reality.

Cybersecurity Preparedness Benchmarking Report

Cybersecurity Preparedness Benchmarking Report

With many organisations struggling to adapt to the complicated world of cybersecurity, Berkeley Research Group ('BRG') recently conducted a Cybersecurity Preparedness Benchmarking Study in association with the Institute. The study aimed at providing a snapshot of the current state of cybersecurity practices across leading global organisations as well as advising firms in improving their cyber security programs.

A Press Release publicizing the report was issued on 8 September 2016:
http://www.thinkbrg.com/newsroom-news-cybersecurity-benchmarking-study-pr.html

The Cybersecurity Preparedness Benchmarking Study can be found on the BRG website.

Key study findings include:

- Despite a strong focus on cybersecurity culture, many organisations do not believe their cybersecurity programs are fully effective.
- Current employees are the likely cause behind most cybersecurity breaches.
- Viruses and malicious software are the most common breaches.
- Organisations mainly rely on cybersecurity assurances from external service providers and vendors. Most organisations do not have strategies for the emerging fields of the "Internet of Things" or "Big Data."
- Organisations lack confidence in their cybersecurity incident response capability.
- Organisations anticipate an increase in information security budgets.

To find out more about the study and to download the report (available in English, Spanish and Chinese):
http://www.thinkbrg.com/expertise-cybersecurity-preparedness-benchmarking-study.html

THE
INSTITUTE OF
OPERATIONAL RISK

Promoting and Developing the Discipline of Operational Risk Management

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